ALBERT R. MANN
LIBRARY

NEW YORK STATE COLLEGES
OF
AGRICULTURE AND HOME ECONOMICS

AT

CORNELL UNIVERSITY

Cornell University Library
HF 5438.E25
Psychology of salesmanship,
3 1924 013 823 178
mann

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924013823178

PSYCHOLOGY

—OF—

SALESMANSHIP

BY

GEO. R. EASTMAN, A. B., A. M.

TEACHER IN STEELE HIGH SCHOOL

SECRETARY OF THE REX FILM RENOVATOR MFG. CO.

AUTHOR OF

PSYCHOLOGY OF BUSINESS EFFICIENCY

PSYCHOLOGY OF ADVERTISING

(IN PREPARATION)

"The master of the art of selling is the master of men"

—Psychology of Salesmanship

THE SERVICE PUBLISHING COMPANY

DAYTON, OHIO

L.L.

COPYRIGHT, 1916
—BY—
GEO. R. EASTMAN

Pg. 9885

CONTENTS

FOREWORD

	Page
Selling the Contents to the Reader	7

INTRODUCTION

Salesman Performs an Economic Function	10
Practical Knowledge and Skill	11
Salesmanship Is Applied Psychology	15

PART I

Making the Sale

Preparation of Salesman and of Selling Plan	16
Parts of the Selling Process	16
Pre-Approach (Investigation and Preparation)	19
Approach and Securing Attention	25
Solicitation	31
Aim of the Solicitation	31
Stating the Aim in Taking Up a New Point	36
Putting the Main Points in Writing	37
Adapting Solicitation to Customer's Mind	39
Effectiveness Cumulative	41
Brief Solicitation First	42
Renewal of the Solicitation	43
Truth	45
Demonstration	47
Arousing Irrelevant Impulses	50
Illegitimate Means	51
Making Solicitation Effective	52
Diagnosis	58

Dealing with Objections 67
Making Known the Price 74
Feeling Out and Closing 75
After Closing 86
General Considerations 89
Salesmanship As a Profession 92
Problems of Marketing Commodities 94

PART II

Process of Thinking, Feeling and Acting 102
Behavior 102
Distinction between Mental and Physical Processes .. 102
Subjective and Objective Realms 103
Method of Gaining Psychological Knowledge 105
Experimental Psychology 106
Knowledge of the Minds of Others 107
Classification of Conscious Processes 108
Mind and Brain 111
Habit 111
Acquiring Proficiency in a New Line 114
Association of Processes of Thinking, Feeling, and Acting 117
Association by Contiguity 117
Association by Similarity 119
Memory and the Art of Recollecting 123
Association Processes in Education 128
Process of Learning 129
Learning Aims to Grasp the Significance of Things 132
Most Efficient Method of Learning 134
Interest and Attention 139
Voluntary and Spontaneous Attention 141
Focus and Margin of Attention 145
Expectant Attention 146
Attention Determines Thinking, Feeling and Acting 148
Acts of Will, or Ideo-Motor Activity 150
Acts of Will Involving Deliberation 151

THINKING 153
Test of Truth 162
JUDGMENT AND REASONING 164
Belief and Action 167

PART III

FACTORS WHICH DETERMINE THINKING, FEELING AND ACTING 169
INSTINCTS OR PREDISPOSITIONS 169
Enumeration of Instincts 173
Instincts Require Educational Development 177
Modification of Instincts 180
WILL TO LIVE 182
Instinct of Self-Realization 182
Moral Interest 185
Two Meanings of Interest 189
CLASSIFICATION OF INTERESTS 191
Morality—the Major Interest 191
Philanthropy Interest 194
Politico-Legal Interest 195
Family and Home Interest 195
Sociability Interest 196
Health Interest 197
Education Interest 197
Aesthetic Interest 197
Wealth Interest 198
Vocation Interest 199
Work and the Need for Recreation 202
Recreation Interest 204
CORRELATION AND CO-ORDINATION OF INTERESTS 208
INTEREST, DESIRE, VALUE AND PRICE 212
TRUTH, THE IDEAL OF SELLING 216
AWAKENING LATENT NEEDS 219
AROUSING DESIRE 220
SUGGESTION AND IMITATION 223
Factors of Suggestibility 225

Subconscious Imitation 231
Conscious or Intentional Imitation..... 234
FULLY REASONED CHOICE AND DEMONSTRATED TRUTH..... 239
RATIONAL SUGGESTION AND RATIONAL IMITATION..... 241
Rational Suggestion 242
INCREASING THE EFFICIENCY OF THE SELLING FORCE..... 250
Convention of Salesmen..... 251
Sales Contest 252
Awakening Interest Increases Energy..... 253
DEVELOPING CHARACTER AND PERSONALITY..... 256
Success Depends upon Character..... 256
Self Confidence 259
Personal Magnetism 261

FOREWORD

SELLING THE CONTENTS OF THIS BOOK TO THE SALESMAN WHO IS CONSIDERING WHETHER HE WILL BE REPAID FOR THE EFFORT REQUIRED TO MASTER IT.

This book is intended for the person who is convinced that salesmanship is an honorable profession, rendering an important and difficult service. It is for those who have awakened to the fact that the salesman is not born ready made, with his powers fully developed.

The salesman must be made, in large part at least, by serious study. The efficient salesman must know the workings of, and have skill in influencing complicated and intangible mental processes, which determine the behaviour of men. It takes persistent hard work to gain an understanding of the factors and processes which determine the actions of men. The salesman's efficiency will vary directly with this understanding.

The scientific farmer, the teacher, the accountant, the lawyer, the engineer, the architect, the physician, the minister, and many others, have found it well worth their while to make a serious and careful preparation for the practice of their profession. The salesman will at last come to realize that intelli-

gent preparation for his work is quite as important, and will bring equally great reward.

The salesman can determine whether he is fully prepared for the practice of his profession by asking himself a few questions, and grading himself on his ability to answer them.

What is salesmanship? What does the approach aim to accomplish? What are the laws which govern the direction of attention to a thing, when it has once been secured? How is attention related to interest? What interests does the normal man have? Do you know to what interests your selling appeal should be directed? What is the relation between interest and desire? How would you undertake to arouse desire? When you have aroused desire, do you know how to carry it over into action? How can you tell when you have reached the "psychological moment" for attempting to close? How can a man think ahead and plan what he will say next, while his attention is adequately given to what he is saying? What are the best methods of learning, remembering, and thinking?

This book aims to give the salesman scientific knowledge which will enable him to answer satisfactorily the foregoing, and many other similar questions. Scientific knowledge is thorough and consistent. Methods guided by such knowledge are efficient in accomplishing the desired result. A scientific knowledge of mental processes enables the salesman to work intelligently and directly toward

the end he wishes to achieve, instead of resorting to the aimless and wasteful try, try again of the man whose knowledge is not equal to the demands of the situation.

The salesman ought not to be discouraged, or condemn this book, if he does not at once grasp the full significance or practical helpfulness of all it contains. Two or more thoughtful readings may be required to enable one to get the psychological point of view and master the method of the science. One has not mastered this discussion in a way that will make it of the greatest practical helpfulness until he understands clearly all the parts, and perceives their relations to each other and to the whole. He must learn to reassemble and to put to working harmoniously together the various processes that are here knocked down and taken apart for purposes of study.

The writer has tried long and earnestly to make this book elementary and practical. He is convinced that he could make it simpler only at the expense of making it more superficial. This would defeat the end aimed at in preparing it. The difficulty encountered in understanding and applying what is written here results mainly from the intangible nature of the subject matter and the lack of skill in exploring one's own mental processes. As one becomes skilled in the exploration of his own mind, the practical usefulness of the principles discussed here will become apparent.

INTRODUCTION

SALESMAN PERFORMS AN ECONOMIC FUNCTION

AS A FACTOR in the world of business the salesman is concerned with effecting a mutually advantageous exchange, in which money, or some other means of securing satisfaction, or some form of satisfaction, is received in return for the service, or serviceable thing sold. As the salesman performs an important business function, he should have some knowledge of business affairs.

The salesman must be master of his merchandise. He should have adequate knowledge of the materials, and mechanical and industrial processes employed in making the articles he sells. He must clearly perceive what the process of manufacture confers on the article, in giving to it qualities which make it have a commercial value superior to other things with which it may come into competition. It is generally recognized that it is important for the salesman to have knowledge of these things which may be called the material factors in salesmanship.

A man may be well informed in regard to the things previously mentioned and still be very poorly equipped in salesmanship. Additional factors which make for success, are knowledge of what to do in attempting to sell, and why it is done; also skill in

doing it. Skill may be developed best by practice in which one's efforts are guided by knowledge of the "what" and the "why." It is the purpose of this book to help to give a knowledge of the what to do, and why to do it.

PRACTICAL KNOWLEDGE AND SKILL

The art of selling may be acquired by blind imitation of other's methods of selling and by more or less haphazard methods of trial and error. The methods that fail are rejected and the methods that succeed are adopted, without knowing why they fail or succeed.

By this process one may gain considerable knowledge of what to do and may become skillful in doing it. But he will be able to apply this knowledge and skill only under the conditions in which he learned to apply them. They are not readily transferable and adaptable to a different situation.

Knowledge and skill acquired by the method of blind trial and error afford satisfactory guidance only in cases easily recognized as similar to those in which success has been achieved previously. One who has learned by this method will not be able to perceive the circumstances which alter cases. Even if he perceived them, he could adapt his knowledge and skill to the requirements of the altered circumstances, only by continuing the process of selecting the lucky hits from the misses.

Such a process of acquiring knowledge and skill

lacks the guiding light of intelligence. Even when one has gained practical success by this method he does not know why one attempt succeeded and the other failed.

One who has previously acquired the knowledge which enables him to understand the whys and wherefores of success will be able to go intelligently about the task of finding the right course of procedure under novel circumstances. If one has this kind of knowledge, when it occurs to him to try various lines of effort, he will be able to forecast more or less accurately the consequences of each line of action. He will thus be able to avoid much wasteful bungling.

The Theory of Salesmanship endeavors to bring into clear consciousness a knowledge of the *whats* and the *hows*, the *whys* and the *wherefores* of the art of selling. It aims to formulate general principles and to organize them into a system so that they will have the greatest practical usefulness in selling. It aims, not at a theory divorced from practice, but at a system of general principles which will furnish helpful guidance to the various practical activities of the salesman.

In this book the process of selling is carefully analyzed. A theory of salesmanship is developed so that the salesman can see the general principles which are to be applied in efficient selling. The salesman will master his art more quickly and will

become more expert in it by learning and applying these general principles.

The knowledge and skill which enable one to do a thing have a certain value. But unless one knows why he does the thing that way, he can not adapt his knowledge and skill to altered conditions which make it necessary to change the way of doing the thing. He can not adapt his knowledge and skill to doing other things.

One who knows why he does a thing in the way he does, and sees that the doing is a particular application of general principles, can do many other things which come under the same general principles. A knowledge of the general principles of selling makes one resourceful and adaptable.

The salesman who understands the general principles of salesmanship can instruct and direct others in selling. He has the sort of knowledge which helps the salesman to develop into a salesmanager.

SALESMANSHIP IS APPLIED PSYCHOLOGY

Why is it profitable for the salesman to study psychology? Salesmanship is an art. Though the salesman performs an economic function, the principles of his art are psychological. In the act of selling, the salesman deals directly with mental processes. Salesmanship is, essentially, applied general, individual, and social psychology.

Salesmanship is the ability to influence the mental processes of a person so that he will desire the serv-

ice, or the serviceable thing, offered to him and will perform the acts necessary to secure it. The art of selling involves applying to a special line of activity, under the conditions which govern there, the general principles which must be applied in any case in which one person seeks to influence the behaviour of another.

The art of salesmanship involves understanding of, and skill in influencing the mental processes which are the factors that determine the behaviour, or the actions, of the men with whom the salesman deals. The salesman must discover what interests of his prospective customers are concerned with what he intends to sell. What needs is it fitted to satisfy? What qualities of the thing to be sold fit it to satisfy these needs or interests?

The salesman must secure the attention of the man to whom he wishes to sell. By presenting suitable selling points, in the form of arguments or suggestions, the salesman must influence the mental processes of his customer so that he arouses a desire for the article and a conviction that the purchase should be made. He must not only see that the customer arrives at a favorable decision; he must also see that he definitely commits himself to the purchase.

Argument, suggestion, attention, interest, desire, conviction, and decision are mental processes. To clearly understand them one must study other

mental processes such as habit, memory, association, and thinking.

It must now be clear that in the act of selling the salesman is dealing directly with mental processes. The science which gives an understanding of mental processes is psychology. The salesman needs to know psychology in order that he may intelligently undertake to influence the mental processes and, through them, the actions of men. The master of the art of selling is the master of men. The salesman needs to know psychology as a means to the intelligent direction of his own life.

The general principles of the art of selling will be developed in Part I. This discussion will enable one to see what psychological processes are involved in selling, and how they are to be dealt with by the salesman. Parts II and III will give a clear understanding of the psychological processes with which the salesman has to deal. By means of illustrative examples, it will be made clear how a knowledge of these psychological processes will help to make one proficient in understanding and applying the general principles of salesmanship developed in Part I. It is obvious that much light should be thrown on Part I by reading it again, after Parts II and III have been mastered.

PART I

MAKING THE SALE

PREPARATION OF THE SALESMAN AND OF THE SELLING PLAN

This book aims to develop the general principles which underlie the art of selling. Special study is required to apply these principles in any special line of selling. Skill in the practice of the art must come from special study and carefully and intelligently directed practice.

The things one must do, in order to prepare to sell some particular thing, will vary considerably with the thing.

A detailed discussion of them would hardly be in order in a book which undertakes merely to develop and illustrate the practical application of psychological principles. It would be excluded on the ground that a work on general principles must not confine itself too closely to any particular line of selling. One who understands the principles should be able, by putting forth the necessary effort, to apply them to any special line.

PARTS OF THE SELLING PROCESS

In the complete selling process there is first of all the pre-approach. In the pre-approach one studies

the special needs and individual characteristics of his customer.

[In this discussion the term customer is used to denote the man to whom one is trying to sell. Strictly speaking, he may be no more than a prospective customer. Yet it is well to treat every man solicited as if he were a valued customer. The aim should not be merely to make a sale, but to make a customer. The sincere manifestation of this attitude has a suggestive force tending strongly toward making both the sale and the customer. The salesman, who has this attitude, will think of each man solicited as a customer. It will do no harm to call him so in our discussion.]

On the basis of the information gained, he formulates a proposition adapted to the customer's needs, and plans his approach and solicitation to close the circuit with the customer's interest. After this preparation has been made, the salesman undertakes the actual approach, in which he aims to secure attention to his proposition and an opportunity to present it.

If he is successful in his approach, he proceeds with the solicitation. During this solicitation he may display samples or make a demonstration of the article. The solicitation aims to stimulate desire for the article and to arouse an impulse to purchase it. As the salesman goes on with the solicitation he must dispose of any objections the customer may raise. He must skillfully diagnose the impression he is making on the customer's mind. He must feel

out the customer to see when he has reached the proper time to attempt to close. When the time is ripe, he must undertake to bring about the performance of the particular acts which the customer must perform in order to close the sale.

PRE-APPROACH

In selling a low-priced specialty, or article of general demand there may be little opportunity, or little need for the pre-approach.

The nature of the pre-approach may be made clear by the methods worked out for selling National Cash Registers. This pre-approach is divided into two processes, the investigation and the preparation.

The salesman is first instructed to make a note of things favorable to the success of the prospect's business. Among them are good goods, proper lighting, efficient clerks, desirable class of customers, etc.

The salesman should next investigate the method of doing business. He should find out the ways in which losses may occur. He may do this by observation, by conversation with the clerks, or even with the proprietor. To get the desired information from the proprietor it may be necessary to convince him of the importance of discussing his business with the salesman. In exceptional cases, by making a purchase, the salesman may secure information of much importance, which he could not get otherwise.

The investigation aims to give the salesman facts which will enable him to interest the merchant and show him why he can not afford to be without an up-to-date National Cash Register.

If the store is small, the preparation can be made

mentally, while the salesman is investigating. The investigation, the preparation, and the approach can all be made at the same visit.

If the store is large, the salesman should leave the store after his investigation and prepare a written analysis. For the largest stores this written analysis may be included in a written proposition. This proposition will give an explanation of the system proposed for installation, the location of the registers, etc.

The written analysis should list the good things found in the merchant's place of business. If the salesman unwittingly makes it appear to the merchant that he can see only bad things in the place and method of business, he puts the merchant in an antagonistic frame of mind. By recognizing and presenting the factors favorable to the success of the business, the salesman creates in the customer's mind an attitude which predisposes him to consider favorably the proposition presented to him.

The analysis should point out clearly how the system in use may be improved. It should show how the merchant lacks protection in the handling of his money, how he lacks sufficient information about his money, and why slow service exists.

The analysis should also give the cost of the proposed system. It may be well to compare the price with the cost of the system in use, or of some other system under consideration for adoption.

The written analysis, or proposition, may be used

in approaching the merchant to secure an appointment for a demonstration of the register. It should be thoroughly explained, and then turned over to the merchant and left with him.

The aim in the pre-approach is to enable the salesman to determine on a proposition, and formulate a plan of approach and solicitation. It enables him to present a proposition of such a sort, and in such a way, that the serviceability of what he proposes to sell will close the circuit with the customer's interest and needs. One can do this only as he understands the likes and dislikes of the customer, his point of view, his aims and ambitions, his financial resourses, the requirements of his business, etc.

With such information at his command, the salesman may make the aim of his appeal as definite as that of a rifleman shooting at a mark. Without such preparation the salesman must feel out the man he is soliciting by presenting more or less aimlessly a number of propositions and noting how they are received. His actions may be compared to a man shooting in the dark with a blunderbuss. With such a weapon it is more or less a matter of chance if any one of the missiles hits a vital point. When the projectile does strike the mark, it does not have much force, or penetration, or effectiveness.

The blunderbuss salesman reveals the fact that he is not master of his business. His random efforts make a bad impression which it is difficult to overcome.

Various firms employ persons other than sales-

men to make the investigation of the pre-approach. The New York Edison Company does so in planning to sell its service to displace that of private plants. A technically trained engineer makes a study of the plant to be displaced, as a basis for showing the advantage of using the central service. The data he gathers is then turned over to the salesman, who prepares it for use in the approach and solicitation. This plan is adopted because the engineer, as a result of his technical training, can do the investigating more efficiently than the salesman. The salesman can make better use of the engineer's data in the actual work of selling.

Some firms employ men, who work more cheaply than the expert salesman, to make the preliminary investigation, and locate prospects with whom it is desirable for the salesman to spend his time, and to furnish him with data to use in planning his proposition, approach, and appropriate solicitation. The problem as to whether the salesman, or some one else, is to make the pre-approach is a problem of marketing rather than of the psychology of salesmanship.

The pre-approach aims to adapt the general proposition to the needs and characteristics of the individual customer. It endeavors to gather data which will enable the salesman to formulate a proposition which will meet the real needs of the man to whom it is to be presented. It enables him to plan intelligently how to close the circuit with the customer's interests.

Sometimes an effort is made to prepare the man to be solicited, so that he will be favorably disposed toward the proposition of the salesman. Advertisements in periodicals, and papers, circulars, and letters can thus be used to pave the way for the approach and solicitation. The general principles of advertising and salesmanship must be employed in such an endeavor.

APPROACH AND SECURING ATTENTION

In his approach, the salesman aims to secure an opportunity to present his selling proposition to a prospective customer.

A correct approach means more than merely inducing a man to notice that you wish to sell him something. It involves getting him to lay aside other matters with which he may be occupied and to concentrate his thoughts on the proposition.

The approach is greatly facilitated by a prosperous appearance, attractive personality, pleasant voice, and courteous manners. What the salesman says and does should suggest that he has a forceful character, ability, assured and important position in the business world, geniality, humor, etc. His tactics should be based on a general understanding of human nature, and such knowledge of the customer as he could secure from others, or acquire by direct observation.

Every one is inclined to be inspired by a man who knows his proposition thoroughly, believes in it enthusiastically, and earnestly wishes others to know about it and to be benefited by it. If a salesman meets these requirements, he will have little difficulty in securing and holding the attention of men with whom it is worth while to spend his time.

Let us first consider the wrong way of going about it. Do not ask attention, as a favor, or say that you would like to secure attention for a little while. Never say "I wish to interest you in my proposition." Whenever the words "my proposition" are used they suggest that the salesman wishes to secure the attention for his own benefit. The salesman always should suggest that he is endeavoring to render a service to the customer. He will do this by manifesting a sincere belief in the serviceability of what he is endeavoring to sell.

Do not ask for attention. Attract it. Attention must not be attracted to the salesman, or by the salesman. Attention must be attracted to the selling proposition and by the selling proposition, if it is secured effectively. If the salesman can secure attention to a request for attention, he can secure attention to a statement or question about the proposition, aimed to arouse interest.

In dealing with business men, the salesman should never resort to cheap trickery indulged in by some canvassers, in order to gain admission to houses.

The introductory statement of the approach should be worked out as carefully as the heading of an advertisement. It performs a very similar function to that of the heading. It should make some statement about the proposition which will arouse interest in it and make it seem important enough to demand a thorough investigation. The best way to arouse interest in a proposition is to state definitely and clearly, but briefly, in what way the ac-

ceptance of the proposition will be of advantage to the customer. Awaken a foretaste of the satisfaction he will secure by making the purchase. Put the emphasis on the service the article will render. If necessary, support this with brief arguments or illustrations making clear the importance of the service. Show why he can not afford to refuse to investigate. Keep in your customer's mind what your proposition will contribute to the realization of his interests, if you can make your claims good. You can thus get him interested in seeing how and why the thing will do what you claim for it. A good approach will pass over naturally, and almost imperceptibly, into the solicitation.

If the salesman represents a business noted for the excellence of its products or merchandise, and for the efficiency of its selling force, he may attach some of this valuable prestige to himself, by bringing out clearly in introducing himself, that he is a representative of that business.

In his approach, a salesman of investment securities could well put emphasis on the large and certain dividends, the safety and convertibility of the investment, etc. The salesman of merchandise could dwell on the timeliness, style, quality, and price, which will make them sell rapidly and bring in large profit. The certainty of good business conditions in the near future will predispose a man to consider buying. When interest is aroused, the salesman should then present an article which he believes of-

fers a very attractive bargain, and proceed to make clear its attractive features.

If the conditions of selling are such that it is necessary to make an appointment to go with the man to some other place to see samples, or the demonstration of the article, it may be well for the salesman to be on hand at the appointed time to accompany him.

If a man meets the approach with the statement that he does not need the article, have ready an argument to show why he should reserve his decision until after he has investigated. If he says he is not interested, make it clear that you do not expect him to be interested until he appreciates the service the proposition will render him. The plea may be that he has no time to look into the matter. Remind him that the salesman's time is valuable to himself and his firm. The salesman could not afford to take time to talk to him unless he felt certain he had a proposition that would appeal to him as a business man.

If the customer is ill-natured, or in an antagonistic mood, make him forget it by talking about some subject he is interested in, outside your line of business. If you can not succeed in this arrange to call again.

Approach a man, if possible, when his energies are fresh, and his mind is free. If he is so occupied that he can not give you his full attention, make an appointment for a more favorable time.

The approach should arouse interest in the propo-

sition. If it fails to do this, the chance to sell is probably lost. Hence, the strongest and most attractive reason why the article should be bought, is not too good to use in the approach. The most successful fisherman is the one who uses the bait which attracts the fish most strongly, and displays it most temptingly. So the most successful salesman will be the one who, in his approach, presents the strongest selling points, in the most alluring way.

The reason why an article should be purchased, which may be used most effectively in the approach, as a means of attracting attention to the proposition and arousing interest in it, will generally have somewhat the form or substance of the general conclusion in regard to the desirability of the article, which the solicitation aims to establish.

Arousing interest merely means connecting the proposition with an already existing interest. The salesman can connect his proposition with an interest the customer already has, by showing him how it will contribute to the satisfaction of his need or desire, along the line of this interest. The salesman thus takes advantage of a tendency to desire already existing and stimulates and awakens it.

The following is quoted from the instructions given to the salesmen of a company operating a chain of cigar stores. It makes clear the spirit of courtesy every salesman should manifest toward those with whom he deals. The salesman who handles his customer tactfully does much to create good will for the store:

"Always—if there is no rush of trade—greet the customer when he comes in with a 'Good morning!' or 'Good evening!' or 'What can I do for you?'—or use any other polite phrase to welcome him.

"Call the customer by name, if you know it. A stranger should be asked to call again. 'I hope to see you again, sir,' and 'Don't forget us another time,' are good phrases to use. If you say the right thing the customer will surely think of you the next time he is in your neighborhood.

"After handing the customer his purchase and his change, say: 'Thank you, sir'; or, 'Much obliged'; or, 'Many thanks, Mr. So-and-So.' Two or three words of this kind must be said to let him know you appreciate the value of his patronage. Under our rules the customer who doesn't get thanked is cheated. Our customers go out saying: 'Nice chap, that!' "

"Get to know your customers by name. There is no need to ask a man what his name is, as though you were a police justice. You can say, after he makes his purchase: 'I'm glad to see you like that cigar, Mr. ——. Pardon me; but I know your face well and I'd like to know your name.' Then the next time he calls your 'Good morning, Mr. So-and-So!' will be a real welcome.

"Show everything you have in stock and suit your words to your actions. Give the critical customer a fair chance to make a choice without making him think you know better than he does.

"No matter what happens, unless forcibly at-

tacked never dispute with a customer. Let him talk as loud and as nastily as he likes. Keep your temper. Discuss the matter quietly. Swallow your anger. Cut out the rough stuff."

SOLICITATION

AIM OF THE SOLICITATION

To solicit means to seek earnestly with suggestions and arguments, with, or without, the assistance of a demonstration, to create a desire which will lead to the act of purchasing.

In the approach, the salesman has succeeded in attracting the attention of his customer to the proposition. He has made clear to the customer the service he proposes to render in satisfying his need or interest. He has aroused his interest by awakening in him a foretaste of the satisfaction to be secured by availing himself of the service.

The approach aims to create a desire for the service the thing will render. The solicitation aims to create desire for the thing, by creating the conviction or belief that it has qualities which make it a fit means of rendering the desired, satisfaction giving service.

The qualities which fit an object to render service are the characteristics, properties, or qualities, or features which give value to the object. What makes a thing serviceable we call, briefly, the value-giving qualities of the thing. They are the selling points of the thing.

The purpose of the demonstration, which will be discussed later, is to make clear why and how the

value-giving qualities fit the thing to render a desired service. These value-giving qualities are the talking points of the solicitation. They should be clearly and simply explained.

The talking points should be presented in the order most effective from the logical and emotional points of view. They should be so arranged that each leads naturally to the next. As far as the reasoning will permit, the points should be made in the order of increasing importance, so that the strongest will come last. If the points can not thus be arranged strictly in the order of a climax, each should be given prominence and emphasis according to its importance.

Talk quality first and then price. Quality includes all the properties, characteristics, or features which give the article commercial value. Quality, embraces all that makes the article desirable in material, construction, and design.

When a man has been convinced of the desirability of the article, he can be led to see that the satisfaction to be gained is commensurate with the expenditure involved, and that the price is therefore reasonable. Hence, price is a secondary consideration. It should not be mentioned until the demonstration of quality is complete enough to make it appear that the price is reasonable.

No matter how high the price may seem, the salesman should be ready to show that it is really low in comparison with the service the goods will give. It is, perhaps, hardly necessary to state that when

goods are being sold for resale, the service the purchaser is to derive, is not to be measured wholly by the margin of profit on each thing resold. The ease of selling made possible by an attractive appearance, or package, the qualities which tend to make a regular purchaser out of the casual buyer, and other things, add to serviceableness. Judged on the broad basis of serviceability an apparently high price may be lower than the smaller price of an inferior article.

If the price is asked before the salesman is ready to give it, he should say that he will come to that pretty soon. The price quoted will seem low, when the merit of the goods has been made clear.

The self-confidence of the salesman adds much to the effectiveness of the solicitation. He should appear confident of making the sale, but of course should avoid over-confidence, or presumptuousness.

The confidence which begets confidence in the customer, through suggestion, comes largely from an honest conviction that the sale will be of real service to the buyer, and from a consciousness of being fully prepared to grapple with the situation.

To avoid the embarrassment and fear of failure which destroys confidence, the salesman should have thoroughly mastered what he wishes to say and do in his solicitation. He can then concentrate his attention so completely on the things he is doing that there will be no place in his thoughts for paralyzing feelings of embarrassment, diffidence, doubt, or fear of failure.

It is folly to commit to memory a selling talk worked out by some one else, and to give it slavishly word for word. One is likely to give such a talk with much the effect of a little child saying his piece. A talk, so committed and used, is so stereotyped that it can not be adapted to the changing needs of the solicitation.

The selling talk, down to the smallest details of expression, should be carefully thought out in words. It may well be written out. Each argument used in making a point, or in meeting an objection, should be thoroughly mastered so that one will never be at a loss for what to say, or how to say it. To accomplish this do not depend on memorizing by rote.

Fix upon the germinal or central thought of each argument, from which you may think it out again, or redevelop it, when you wish to use it. This germinal thought, or central idea, will be the general topic of the selling point, or the answer to the objection. Express this general topic in the form of a suggestive phrase, or brief sentence, which will serve as a cue to recall the argument in detailed form when the circumstances are seen to demand its use. For example: this is the "prevents loss," or "reduces expenses" argument, or the answer to the "I want to look elsewhere" objection. If the carefully worked out details of the exposition, or argument, are thoroughly associated with the topic in the order in which they should be recalled, one will always have at his command, ready to use effectively, all that bears on the topic. When what is said

springs from such preparation, it comes with all the adaptability, spontaneity, and stimulating effectiveness of extempore speech.

When the various selling points have been carefully worked out and tagged with appropriate cues, the cues should be firmly associated in memory in the order in which they are to be used. Make the association links established between the various cues, in order to recall them, intelligible or logical, when possible.

The salesman should have the part his selling point is fitted to perform in making the sale firmly associated with its cue of recall. He will then be able to perceive when the situation developed in the solicitation makes it desirable to use a certain argument or exposition and can readily recall it. He should have mastered it so thoroughly that he can give it without much demand on his attention.

While making the point thus mastered, he can think ahead and plan to meet any unforeseen circumstances, which may make it necessary to change his tactics. When such circumstances are encountered, if one is properly prepared, he will recognize their significance. This recognition will bring into the margin of consciousness the cue of the argument he has worked out to meet this situation.

The situation unexpectedly encountered may be one not fully prepared for in advance. In that case he may find several thoughts starting to develop in the fringe of his consciousness. From these he can select the one which seems best adapted to meet the

situation. His many-sided preparation has given him resourcefulness.

STATING THE AIM IN TAKING UP A NEW POINT

The discussion of each new selling point taken up during the solicitation should begin with a statement of what is aimed at in developing the point. It is well to have in the customer's view from the first, the conclusion to be reached from the facts or value-giving qualities presented. A selling point may be regarded as a conclusion in regard to the value of a thing, to be established by reasoning from the value-giving qualities of the thing.

To prevent the customer's mind from wandering, the salesman should develop his subject in a natural and logical order, as rapidly as the full import of the points can be grasped. If the man's mind is not fully occupied in following the visual demonstration and verbal presentation, it may switch to some other line of thought. If the thoughts once get to running freely along some other line, the sale may be lost. At least some efforts have not been effective, and some of the work will have to be done over. Hence, to hold a man's attention, it is necessary to keep new aspects of the problem developing continually. During the solicitation the salesman should dominate the trend of his customer's thoughts.

The salesman should not permit himself to be drawn into conversation about irrelevant matters, while talking the sale. In such a discussion the effect of what has already been said will be lost. An

antagonistic attitude may also be aroused. Conversation about general topics should be had before or afterwards, if at all.

PUTTING THE MAIN POINTS IN WRITING

If a selling talk is long and complex, it may be well to write down each important selling point in plain view of the customer, and then proceed to develop it. The customer then sees at the start the point which is aimed at. The writing, in plain view, enables him to keep the general aim in mind and to more fully appreciate the bearing of what is said, as the solicitation proceeds.

With many customers the appeal through the eye is stronger than the appeal through the ear. The impression made through two senses is stronger than if made through either alone.

The attention is instinctively directed to movement or action. The observer experiences a strong curiosity to see what will be written. This impresses the writing clearly on the mind.

The points thus written down have a long time in which to impress themselves on the mind. They may be given additional emphasis by referring to them from time to time as the discussion proceeds. The written points will be convenient for making the final summary, when the time for closing is reached.

The customer feels different about a claim to serviceability when it is put down in "black and white". Such a claim can be verified. It must be fulfilled. It

commits the salesman to make good in a very definite way. Oral statements are frequently discounted considerably. A written statement can be taken to mean just what it says. Making a permanent record of a claim to serviceability is an evidence of sincerity and good will. The service afforded will be compared with the claims. The claims must be truthful.

The salesman who uses this device combines the simple, condensed form in which the advertisement sets forth the selling points of the article, with the adaptability and warmth of a personal appeal charged with enthusiasm. The salesman should study the principles of advertising in order to use this device successfully.

ADAPTING THE SOLICITATION TO THE CUSTOMER'S MIND

The customer can assimilate, or properly appreciate the bearing or significance of what is said in the selling talk, only by relating it to kindred knowledge he has gained through education and experience. The salesman must present his subject from the customer's point of view, and build on the foundation of knowledge already present in his mind. However, he must proceed to elaborate, enrich and transform this knowledge.

The genius of the salesman is manifested largely in the certainty and readiness with which he hits on the right interest and ideas in his customer's experience to use as an assimilating notion, or apperceptive mass, to which he can effectively connect, by rational links, the points he wishes to make. He must make clear the relations existing between the customer's interests, experience and knowledge and the new matter he presents, pertaining to the thing he is selling.

The salesman's ability to transmit to his customer his own conviction and enthusiasm, depends on his skill in building up in the latter a state of mind similar to his own. To accomplish this, the salesman depends upon exposition, argument, demonstration, and suggestion. The ideas which the salesman

presents tend to arouse in the customer's mind feelings similar to those which accompany them in his own mind. The enthusiasm and confidence manifested in the bearing, expression and talk of the salesman tend to arouse, through suggestion, a similar state in the mind of the man he is soliciting.

The salesman must not be contented with making mere general statements about his article. All such statements should be founded upon a broad basis of facts, or illustrative examples fitting in with the actual business experience and methods of the customer. A generalization is effective only when it is seen to be a conclusion drawn necessarily from an adequate foundation of facts. Such a generalization is full of significance and is dynamic.

EFFECTIVENESS CUMULATIVE

Thoughts, feelings, and volitions are controlled not merely by the idea in the focus of consciousness. All the elements in the dim background of consciousness, or that have been recently in consciousness, contribute their part in directing the mind's activities.

A well-developed solicitation sets to work a number of processes all directing their influence convergingly along one line, and all co-operating to bring about the desired act of closing. Each point made leaves behind it a trace of brain and mind activity, and a favorable emotional coloring. These persist as important factors determining largely the trend in the complex changing state of mind developing as a result of the selling talk.

Each point the salesman has made remains potent and effective while he is developing subsequent points. He thus builds up a constellation of marginal traces of previously made points, and of desire previously aroused. The effect of the appeal is cumulative. The persisting influence of the previous mental processes tends to fill the mind with a well-grounded belief that the purchase should be made. This influence also tends to prevent ideas of acting contrary to that belief from getting into the mind.

A properly worked-out selling talk can thus be

made cumulative in its effect. In a final skillfully arranged summary the salesman can stimulate to greater activity the persisting traces of previously made points, and direct their united force on the act of closing the sale.

In the act of closing, the customer's attention should be centered, not on the value-giving features, but on the act of closing. This will be developed more fully later on.

BRIEF SOLICITATION FIRST

In selling things which do not require a complicated demonstration or argument to make clear the service they offer it is well to make first a strong, but rather brief, presentation of the main selling points. Considerable material is held in reserve for future use, if the first attempt does not succeed. The first, determined, brief presentation may close the sale. In that case, to have used a longer talk might have lost it. At least, time and energy would have been wasted.

After making such a brief solicitation the salesman should sound his man to find whether he is ready to close. The methods of doing so will be discussed later. By thus feeling out the customer the salesman can find out what objections he will have to overcome. He will perceive along what line further appeal may be most effectively undertaken. He will discern whether he should aim to strengthen existing desire, or to awaken new desire, or whether

effort should be concentrated mainly on showing that the thing is best fitted to satisfy existing desire, or that now is the time to get it, or that the purchase will not involve too great a sacrifice of other interests.

RENEWAL OF THE SOLICITATION

If the salesman's first brief attempt is not successful, he should return again to the solicitation, profiting by the enlightenment gained. If he has written down the main points of his preliminary solicitation he should see that they are kept clearly in mind. As he brings into play material previously held in reserve, he should indicate its bearing on the main argument previously presented. He should finally summarize his argument in a form more condensed than his first brief presentation.

Price should not be mentioned until near the close of the solicitation, as the customer may center his attention on price when the salesman wishes to direct it to quality.

Incongruous, irrelevant, or frivolous matter should not be injected into the selling talk. A pause to let a point soak in should not be long enough to allow the customer's mind to get running along another line of thought. Tactics should not be changed too abruptly.

If the solicitation is interrupted at any point, continuity is likely to be lacking when the solicitation is begun again. When the solicitation is resumed,

the part gone over previously to the interruption should be reviewed briefly so that it will be present in mind in such form that the rest of the talk will connect with it properly.

TRUTH

To gain the greatest permanent success, a salesman should make it clear that his desire is to render such service to the purchaser that he will become a regular patron. The salesman selling to a merchant should know what style and quality of goods and what amount can be used most profitably by any particular customer and should give him the benefit of his knowledge. The seller should be fair, candid, and honest in his statements and honorable in his methods. He should guard carefully against making the impression that his chief concern is to make the sale, regardless of the interests of the purchaser.

A common practice among retail salesmen is to look closely for suggestions from the customer and to sell him whatever he may take a fancy to, even when he knows it would be better for him to buy another article. A better practice would be to give him honest and expert advice, so that his purchase would be permanently satisfactory. His good will and future patronage would thus be secured.

To illustrate this point, suppose a woman takes a fancy to goods that will fade in washing. If the salesman knows that a permanent color is required for the use to which she intends to put it, he should tell her that the color in question will fade. By so doing he may lose the sale. This would be better

than to have the purchaser feel that the store had sold her a gold brick, and mistrust it in the future. It is better to lose a sale than to lose a customer, or to create ill will.*

It is wise to appeal to the good judgment and intelligence of the purchaser. Such an appeal is pleasing to the one to whom it is made. Every one believes he is intelligent, and has good judgment. He is flattered when others see it and admit it. Such recognition and admission establish a relation of equality and confidence between salesman and purchaser. Frequently the customer will feel that the reason presented must be a good one, though he can not fully comprehend the significance of it.

*See the discussion of "Good Will" in the author's "Psychology for Business Efficiency."

DEMONSTRATION

What one sees in an object is determined largely by the interests dominant in his mind, and by his preconceptions, or misconceptions. Experiment has shown that one may fail to see very important and significant features in plain view. He may distort what is seen, or believe he has seen what is not there. He may fail badly to apprehend the correlations and significance of the qualities of which he becomes aware.

In order that a customer may get the right understanding of a thing, his observations should be guided and directed by the salesman. The salesman must see that he brings the right ideas to bear in interpreting the observations made. The demonstration aims to accomplish these things.

The demonstration appeals to the strong instinctive interest in observing what others are doing, and to the instinctive curiosity to know the significance of it. Seeing a thing done is much more interesting and full of meaning than hearing someone tell how it is done. Doing it one's self arouses still greater interest in it.

In selling many articles, the demonstration is a very important part of the solicitation. Its purpose is to make clear what value-giving qualities the thing has, and to show how and why they give it

value. It should be accompanied by a verbal exposition of the points of value in the thing and an explanation of the service they render. The solicitation supplements the demonstration with arguments and suggestions aimed to induce the customer to perform the acts necessary to secure the service.

The exposition aims to make one see the value-giving qualities of a thing, their functional interrelation, and how the customer's needs and interests are concerned with the service the thing is fitted to render.

In making the demonstration, one should not fall into the common error of assuming that because the customer's eye receives a retinal image of the thing, he therefore really sees how the qualities of the thing make it fitted to render service.

Seeing, in the sense in which the salesman wishes his customer to see the sample or article demonstrated, is a complex mental process. It involves a clear discrimination and a correct apprehension of the various value-giving qualities and their interrelations, and of the fitness of the thing as a whole to serve as a means of securing satisfaction. This can be accomplished only as the observations are properly guided or directed by the salesman. He must see that the right interest is aroused, and the right ideas are brought to bear in interpreting what is seen.

In making a demonstration, it is never safe to assume that any essential feature will be seen and

rightly understood, merely because it is plainly in view. Neither is it safe to assume that the significance of a thing will be present effectively in mind, merely because it must have been apprehended previously. Familiarity breeds indifference. All essential features, no matter how familiar they are, must be pointed out clearly in the demonstration. Their significance should be brought vividly into consciousness. Many things do not become at all clear until they are presented visually.

In demonstrating a cash register the salesman is not content with pointing out that the indicator shows the amount of each purchase. He makes clear how the indicator gives publicity to the amount, and how publicity enforces honesty. He dwells strongly on how the total sales check up with the amount shown on the recorder, and how this reveals dishonesty or error. He also brings out many other serviceable features in a similar way.

AROUSING IRRELEVANT IMPULSES TO ADD FORCE TO THE DESIRE FOR THE SERVICE OFFERED

The salesman sometimes strengthens the impulse to buy by arousing irrelevant impulses to re-enforce it. The practice is generally questionable, and often deserves strong condemnation.

In olden times the auctioneer began by offering his article at a high price, which he gradually lowered until the sale was made. A similar device is sometimes employed in window displays, in which an article is offered at a price which is to be lowered a certain amount each day until the thing is sold.

In modern times the auctioneer agrees to accept a low price if he can not succeed in his endeavor to get a better offer. The modern practice is more successful than the ancient one, because it affords the auctioneer an opportunity to arouse a spirit of rivalry. He starts competition. He awakens the fighting spirit. A man who is bidding in competition with others may often be induced to pay considerably more than he would offer at private sale. The fact that some one has offered a certain price tends to make others believe that it is worth more than that price. In this way the desire to buy is re-enforced with impulses which could not be aroused by a mere

setting forth of the value-giving qualities of the article.

A salesman working for an unknown insurance company had to spend so much time and effort explaining about his company that his efforts devoted to the sale of insurance had but little effect. He had to sell the company before he could sell insurance. When confidence and good will for a line already exist, they strongly predispose one to respond favorably to the solicitation. Whatever creates good will for the business re-enforces the solicitation. See "Good Will" in "Psychology of Advertising."

ILLEGITIMATE MEANS

Some salesmen endeavor to gain the good will of their customers by entertaining them at dinners, or shows, or ball games, etc. Such means may predispose some men to buy. However, they are irrelevant to the end in view and their use is more than questionable. It is but a short step from such persuaders to open bribery which, of course, puts the salesman beyond the pale.

Some salesmen come to rely on making concessions to the buyer, rather than on forceful solicitation in which the value-giving qualities of the article are presented effectively. By so doing, they reveal a great weakness, either in themselves, or in the line they are selling.

The possession of a large, powerful body suggests that the man has corresponding strength of character and ability. Such a person towers above his fellow-men. They tend to look up to him, literally and figuratively. He has prestige because of his size.

A big man loses much of his size prestige, if a little man with whom he is dealing is placed above him. Regardless of the relative size of the men, the salesman loses prestige in dealing with a customer, if he sits or stands so that the customer looks down upon him. If the salesman can not be seated so that his eyes will be above, or at least on a level with, his customer's, he should stand.

The salesman should not lounge or slouch. He should sit or stand in an erect and alert attitude.

The salesman must be able to meet the gaze of his customer frankly and unwaveringly. A shifting gaze and embarrassed attitude are manifestations of self-distrust and self-submission in the salesman. They are a confession of weakness.

The salesman's gaze, expression, and bearing should show self-assertion and self-reliance springing from reasonable confidence in himself and in his proposition. The salesman's manifested confidence, enthusiasm, and mastery of the situation, tend strongly, through suggestion, to arouse confidence,

enthusiasm, and self-subjection in the customer.

Selling is an important and serious business. The salesman should make his statements seriously and earnestly. His seriousness should not be grouchy or funereal. It should be good-humored and optimistic, but without the spirit of fun or levity.

The man who makes a serious statement and then giggles or laughs about it, destroys its effectiveness. Through suggestion he arouses an emotion in the mind of the customer which prevents him from taking the statement seriously and realizing its importance.

The salesman can get some hints for the effective presentation of his selling talk from manuals on public speaking and from teachers of the subject, and from studying good speakers to see what makes them effective.

Many factors contribute to effectiveness. Among them are clear perception of what one wishes to accomplish and an understanding of what ideas one should choose to accomplish it; the clear expression of these ideas in words and the arrangement of the words with due regard to logical sequence and emotional strength. Contributing to making these effective, are tone of voice, manner of speaking, gestures of head, hand, or body, expression of the face, attractive personality and the glow of honesty, earnestness, conviction, sympathy, confidence and enthusiasm manifesting itself by suggestion, in subtle ways, in the presentation of the selling talk.

The principles of argumentative exposition, of persuasion, and of rhetorical effectiveness, should be applied in arranging and presenting talking points. The persuasive presentation of the selling talk requires a personality and ability kindred to that of the successful orator or advocate. Knowing what to say and do is only half the battle. Half of its effectiveness depends on how it is said and done.

The salesman must secure conviction by well-reasoned proof, but he must not content himself with an unemotional assent to a chain of reasoning. He must arouse the feeling which will lead to action. The persuasiveness of his talk, as indicated before, will depend on what he says, on the logical and rhetorical effectiveness with which he says it, and on his personality and manner of delivery.

The salesman's argument is in the center of consciousness, but all the other factors previously mentioned help to build up around it, by suggestion, a fringe of emotional and impulsive elements which add greatly to its effectiveness, and prevent the occurrence of opposing ideas. Two salesmen may make pleas equally conclusive as far as their logical character is concerned. One may meet with mere intellectual assent. The other, through his emotional appeal, may arouse to decisive action. Hence, logical adequacy of subject matter must be supplemented by the other factors contributing to effectiveness.

We are not advocating overloaded attempts at fine

speaking. Buncombe, or frothy eloquence, will not fill the bill. What is needed is simple, straightforward talk, clearly expressed, and supercharged with the feeling which comes from the sincere and strong conviction of the salesman.

Business men are not carried away by mere plausibility. Build clearly the foundation of facts from which you wish your customer to draw his inferences. It is not sufficient to present good points. The solicitation must close the circuit of what is said with the interest already existing in the customer's mind. The proposition must be connected vitally and naturally with the experience and aims of the customer.

Secure emphasis by approaching the thing from a different viewpoint, and by expressing it differently, as well as by using strong words, or by repetition in the same words, or by emphatic delivery.

Strong speaking does not require big words. Big, strong ideas expressed in simple words and easily understood sentences are what is needed. Over 2000 years ago Tiberius Gracchus said: "The wild animals of Italy have their dens and lairs. The men who have fought for Italy have air and light, nothing more. They are called masters of the world, though they have not a clod of earth they can call their own." Men who can conceive and express strong appeals to interest in simple form like that do most to move the world. They move the world

because they make a direct and easily comprehended appeal to the universal interests which grip the hearts of men.

Of course, when one is talking about a scientific subject to men of expert knowledge, he must use technical terms. Ordinary words are generally too vague, indefinite and ill defined in meaning, to meet the demands of exact explanation under such circumstances. Big words which express big ideas are all right in their place. Men versed in science are repelled by an attempt to express its ideas in the loose and poorly defined words of ordinary speech. Each new idea in science demands that a new technical term be coined for it, or that an old term be used in a new and definitely defined meaning.

Spencer sought to establish that "Evolution is the transition from an incoherent, indeterminate homogeneity to a coherent determinate heterogeneity, through a process of differentiation and integration." Some men have held this definition up to ridicule on account of its technical difficulties. But it set forth Spencer's idea in a form which was highly satisfactory to the class of readers to which it was addressed. Hence, it was used with appropriateness and good effect.

One should use technical terms when he wishes to sell scientific apparatus, or complicated machines to technically trained men. One should not hesitate to use scientific terms when addressing men well in-

formed on the subject. One should not be repelled by technical terms or treatment when he is trying to master the exact knowledge of a technical subject, such as psychology. Such a subject can be adequately presented only by using such terms.

The salesman should not present his selling talk in the form of a challenge for a debate. He should not argue with his prospect, or flatly contradict him. Avoid destroying confidence by too strong statements or by running down a competitor.

DIAGNOSIS

When a salesman is presenting a business proposition to a man, he tries to understand his thoughts, feelings, mental attitudes, and prejudices. He endeavors to estimate their influence as factors in determining whether the proposition will be accepted. He tries to diagnose the mental state of the man.

There is no science which will enable a salesman to predict how any particular man will think, feel, and act in regard to his proposition. Acquaintance with the individual, alone, will give that power. The minds of all men work according to the same laws. The salesman is interested in getting men to do certain things by influencing their minds. Through knowledge of psychological laws he will gain insight into their minds and skill in convincing and persuading them.

A knowledge of psychological laws will assist the salesman, as he proceeds, to estimate the effect his course is having. Such knowledge will help him to steer clear of obstacles, and to tell when he has worked his man up to such a point that he is warranted in pushing the matter to a definite conclusion. Knowledge of psychology, alone, will not enable a man to do this; such knowledge must be supplemented by a thorough understanding of many types of individual character.

Insight into the minds of men may be increased by studying sociology, political economy, political science, history, literature, etc., or by anything that increases one's general knowledge and culture. But skill in reading character and in correctly apprehending a customer's state of mind must come largely through a wide acquaintance and intimate association with men of all classes. One learns to deal with men through actual experience in dealing with them. A knowledge of the laws to which mental processes conform enables one to profit more by this experience. It enables him to perceive the significance of what he sees.

If one has the right sort of natural ability, a knowledge of psychological principles supplemented by wide experience with men, clarified through painstaking effort to rightly profit by it, may develop in him a judgment so accurate and prompt in sizing men up that it may be said to be intuitive. What is known by intuition is perceived directly and with certainty, without the necessity of going through long or complicated processes of thought. Such intuitive judgment is based on certain things actually observed in the expression, bearing, acts, or conversation of the person to whom it applies. We may not be able to tell clearly on what such judgment is based. Such is often the case when we say to ourselves, in regard to a man we have just met for the first time, this man is honest, selfish, or generous. Generally we would be very much at a

loss if we attempted to justify to ourselves, or to others, such judgments in which we confidently believe.

When we thus say we like, or dislike, or suspect, or trust a person on first sight, or say that we believe he is stingy, or generous, or honest, or dishonest, or conceited, or stubborn, or what not, our judgment may be based on some undefined characteristic, observed, but not clearly discriminated, from the other elements of the general impression. We vaguely recognize a characteristic which has been an element in some personality which experience has shown to have the traits we attribue to the person now under consideration.

Just as doubt or conviction in your own mind will manifest itself in modifying your action, so will duplicity, knavery, uncertainty, desire, conviction, etc., manifest or express themselves unconsciously in the attitude, acts, countenance, or tone of voice of the person in whom they are found. Such expressions are the things on which our so-called intuitive judgments are based. Instinctive capacity and capability developed by experience are both factors which contribute to this ability.

Such judgment, based on what is observed in the ordinary ways of expression, must not be confused with telepathy, mind reading, or thought transference as it is variously called. It is generally agreed among psychologists that telepathic communication is an established fact. It is also agreed that it is so

rare and undependable in its manifestations that it offers no help to the salesman.

It is not difficult to understand the parts of psychology with which the salesman is most concerned, the difficulty comes in making the principles practically helpful. When what has passed through the mind is reviewed it may be seen that the activities have conformed to psychological principles. We can generally say why any particular state has followed the previous state. Psychological hindsight is comparatively clear and certain, but psychological foresight is far less easy. For example, what is present in a man's mind will be followed by some idea previously associated with it, or resembling it; but this does not enable one to tell what particular associative connection or resemblance will prove effective in suggesting the idea which is to follow. Psychology gives the laws in accordance with which ideas, feelings and volitions occur in the mind, but does not enable one to foretell with certainty what particular mental states will occur.

Psychology teaches the "how" of the mind's working. It enables the salesman to do, with more or less certainty and assurance, what he would otherwise undertake blindly. Experience, guided by a knowledge of how the mind works and by an understanding of the principles of salesmanship, enables the salesman to undertake intelligently the task of starting with a given content in the mind of the customer, and influencing his thoughts and feelings

in such a way that he is ready to close the deal.

The psychologist's attitude is abstract and analytical: the salesman's is concrete and practical. In a sense, the attitudes conflict and it is rather difficult to combine them successfully in one mind. Psychology is a science, salesmanship is an art. The relation of psychology to salesmanship is much closer, but it resembles somewhat the relation of biology and chemistry to medicine. It takes acumen, ingenuity, and practical ability to make original, successful applications of such fundamental sciences to the development of the art. But after the applications have once been made, many who could not have made them, may profit greatly by applying them in their practice.

Successful salesmanship will conform to the laws of psychology, whether the salesman has learned them from the study of the science at first hand, or from studying the applications of psychological principles made by others, or whether his observation and experience have brought him to conform to these laws without definitely formulating them. A knowledge of psychology should prove helpful in developing the best methods of salesmanship.

Since understanding the man as an individual is very important, the salesman will often secure helpful knowledge by trying before soliciting him, to find out in the pre-approach, something about his methods of doing business, his strong and weak points, and even his interests, outside his business

lines. Frequently it will be impossible to get any helpful knowledge of this sort. The salesman must then depend on carefully observing the man while making his approach, and while soliciting him. Perhaps, if the man is not too pressed for time, he can engage him in conversation for a few moments, and feel him out in a general way before he gets down to business. He can thus combine the pre-approach with the approach.

The man to whom the selling appeal is made is generally on the defensive and tries to keep the salesman from perceiving what he really thinks and feels about the proposition. Since the salesman's efficiency will increase as his insight into the contents and workings of men's minds increases, he should avail himself of every resource that will be of assistance in penetrating this defense and discerning what is really taking place in the man's mind. He must not merely understand the laws in accordance with which the minds of men work, he must be able to comprehend the ideas, notions, interests, prejudices, likes, dislikes, beliefs and impulses of the customer as they manifest themselves in his mind during the solicitation. He must discern his customer's wants, what he knows, and does not know about the thing offered for sale, and how he can be most effectively influenced. Such are the things which will determine how the customer responds to what the salesman says and does.

The salesman must size up his man early in the

game and see clearly, and be guided by, the effect he is making. As the solicitation proceeds he must judge of the progress he is making by noticing carefully what the customer says, and does not say, his tone of voice, the expression of his eyes, and countenance, and his actions. Of course, the salesman can not be guided by what the customer says, unless he allows, or even encourages him to talk. Success in interpreting these manifestations depends not merely upon familiarity with psychological laws, but upon tact, intuition, insight, and ability to read individual character coming from a wide acquaintance and experience with men.

Ingenuity and resourcefulness, a forceful and pleasing personality, wise aggressiveness, and ability to inspire confidence in one's self and in what one is selling are essential to great success. The salesman should be a complete master of his line, not only in all its details, but in its general bearings as an economic force and in its relations to other affairs. When he is thus equipped and has the ability to diagnose the effect he is producing, he can select talking points adapted to the man with whom he is dealing, arrange them effectively and present them with telling force.

While proceeding with his selling talk the salesman may often find out what effect he is making by asking appropriate questions worded so as to suggest assent to them. Such questions are "Have I made clear to you the great advantage of this

feature?" "You see, now, don't you, why there is such a great demand for this article?" "If the matter is properly presented to him, it doesn't take a man long to see that this offers a rare opportunity for profit, does it?" "Isn't this a reasonable conclusion?" Such questions tend to secure assent to the cogency of the reasoning and the validity of the conclusion. By noting the answers to questions and noticing carefully the expression and general attitude of the man the salesman can tell whether he remains doubtful, or is being convinced.

It is often advisable, as explained previously, to make a brief, condensed appeal at first. After this the salesman can feel out his customer to see how the appeal has influenced him. He can then adapt the rest of his solicitation to the state of the customer's mind revealed by this diagnosis.

The salesman should study men as he reads about them, plays with them, talks with them and does business with them. Such study should enable him to put himself, in imagination, in the other man's position, and thus to understand him to judge whether the customer is in a state of indecision or whether confidence has been established; when to confine himself to straightforward matter of fact business talk, or when to use subtle suggestion or finesse, when to follow, and when to lead or use strenuous methods.

On the whole, sufficient uniformity prevails, amid the great diversity of individual character, that cer-

tain methods will work well with nearly every customer. In most cases it will be wise to stick to "the one best way" until good reasons are seen for adopting an unsual course.

As the salesman is presenting his selling points in his solicitation the prospect endeavors, from time to time, to consider them in comparison with ideas bearing on the subject coming into his mind through association; but he will not be able to do this very deliberately, if the salesman is presenting his selling argument effectively.

As the salesman makes each point and asks the man for his assent, he invites him to deliberately weigh the reasons for and against and to decide on the basis of the strength of evidence. When the salesman has finished his main demonstration and presentation and undertakes to close, the man will endeavor to balance the reasons why he should purchase presented by the salesman, against the objections or reasons why he should not, which have occurred to him in the course of the solicitation. If the salesman has not already discovered what these objections are, he should bring them out by appropriate questions.

DEALING WITH OBJECTIONS

When a salesman has succeeded in arousing a desire for an article, he is often prevented from closing the sale by an objection present in the customer's mind. Such objections are technically known in psychology as inhibiting ideas. As long as such ideas of considerable importance are even lurking in the margin of a man's consciousness he will not close the sale. Hence, objections are important things for the salesman to consider.

The salesman should know in advance what objections are likely to arise in the mind of the prospect. The selling talk should be carefully worked out in advance to take the wind from the sails of opposition by anticipating and forestalling such objections as completely as possible. But, no matter how carefully the salesman has planned his selling talk, he will meet with opposition. To overcome this, he should have worked over very carefully in advance the answers to all objections that are likely to arise.

The objections will vary according to the nature of the article which is being sold, and its relation to the needs, interests, and desires of the buyer. Just as it is important for the salesman to select the value-giving features or qualities of what he is selling, and to determine to what interests of the pros-

pective buyer these qualities will afford a means of satisfaction, so it is equally important to find out what interests of the man are giving force to the ideas which serve as objections, and inhibit or keep him from buying.

Of course, the man may refuse to close merely because he is not yet convinced that the article offered is the best suited to satisfy the desire. He wishes to give further consideration to competing articles. The rivalry is simply between competing ways of accomplishing the same thing.

The rivalry may be between competing lines of satisfaction for the same interest. For example, if he buys an automobile as a means of satisfying his desire for recreation, he can not take a contemplated trip to Europe as a means of satisfying the same desire. Or, it may be that the satisfaction of the desire is not believed to be a matter of sufficient importance to offset the loss of the satisfaction of the other interests which must be sacrificed if the purchase is made. A competing interest gives force to the objection. For example, if I buy an automobile, I can not satisfy my home-owning interest, or my interest in accumulating money and being free from debt, or my interest in enlarging the scope of my business.

After the first brief presentation of the article, while the salesman is feeling out the customer, to see if he has reached the psychological moment for closing, the customer will probably avail himself of

the opportunity to offer such objections as have occurred to him. If he does not do so, the objections may be brought out by appropriate questions. An objection so raised gives the salesman insight into the prospect's attitude toward the proposition and affords an opportunity to connect the selling argument vitally with his trend of thought and feeling.

The salesman should not appear annoyed because the objection has been raised. He may say that he is glad he is dealing with a man who wishes to consider every side of the proposition, for it is one which appeals strongly to such a man. Let him feel that the objection is natural from his point of view, but proceed to change his point of view. However, show him that your point of view is right rather than that his is wrong. Never enter into a debate with the man or flatly contradict him, as you may arouse his combative spirit and make him feel that it is a point of honor with him not to yield.

In encouraging a man to argue, you bring into the focus of consciousness, ideas which suggest courses of action contrary to the one you wish to bring about. You start a line of thought which will allow all the interests you have created to die out. You are encouraging a man to try to think of every possible argument to support his point, when you should be trying to make him forget them. If the objection is the result of a misapprehension, remove the misunderstanding from which it arose.

When an objection is raised, face it fairly and

squarely. Answer it then and there if you can do so convincingly. An attempt to evade an objection, or a failure to meet it fairly may cause such action to be regarded as an evidence of weakness in the proposition, or a proof of incompetency in the salesman. If you can not fully answer the objection, say that you see clearly the point that has been raised. A great deal of its apparent weight will be removed by a clearer insight into the proposition. What little real force it has, is so far overbalanced by the advantages of the proposition that the objection raised will be seen to be a factor of very little importance. Minimize the importance of such an objection as fully as possible, and then rely on an effective presentation of the advantages of the article.

If much attention has been given to the consideration of the objection, it may be well to recall the advantages previously presented before proceeding with the selling talk. Perhaps a point of advantage can next be brought up which will greatly offset any force which may still be felt as inhering in the objection. It could be introduced with the remark, "Here is a very decided advantage which will appeal to you strongly along the line we have been discussing."

If the objection has been raised prematurely and can not be answered at that point it may be best to say "I believe you will find that matter satisfactorily disposed of when I have finished," and then

proceed with the solicitation, meeting the objection at the proper time.

What shall we do with an objection which we suspect of being present, although it has not been expressed? Even if one feels certain what the unexpressed objection is, he should not try to dispose of it by direct attack unless he is sure he can completely demolish it with unanswerable arguments. An unexpressed objection is probably lurking in the margin of consciousness. An unsuccessful attempt to answer it would merely bring it into the center of consciousness and thus greatly strengthen its force. Rather than attack an unexpressed objection which he can only half meet, one should depend on making his proposition so attractive that the customer's attention will be centered wholly on it, and the objection thus neglected will pass entirely out of mind.

Never suggest an objection for the purpose of refuting it, thus hoping to make your case stronger. One who does so may be suspected of setting up a man of straw merely to show how easily he can knock him down, or worse than that, to be endeavoring to distract attention from some real weakness in the proposition.

If the man will admit that the proposition is one that will bring him financial profit, but objects that he can not afford it, show him the loss of profit which will result from delay. Make him see that the article will begin paying for itself as soon as it

is obtained. If you are selling him the satisfaction of some interest other than that of making money, impress on him strongly the satisfaction he will lose by postponing the purchase.

Suppose a man intends to buy, but that he does not close because he has made up his mind to investigate more fully, from fear that he may overlook a better bargain. Should one attack competitors, or try to show that their lines are inferior? An attack on a competitor or his line, might arouse suspicion that you feared to have the customer look around. This would increase his desire to do so. There is a motto which may throw light on the matter by approaching it from another point of view. It is "If your competitor talks about you put him on your pay roll. It doesn't matter what he says as long as he talks." When he talks unfavorably about you he suggests that your competition is affecting his business seriously. This suggests that one may do better by seeing such a competitor. People are likely to resent an attack which seems unprovoked and which is made under such circumstances that the one attacked has no opportunity to defend himself.

If you wish to explain the difference between your article and some other, you may say the competing article is inferior in appearance, usability, durability, etc., or you may say that your article excels in appearance, etc. The latter is better. Attract attention to the superior merits of your article

rather than the demerits of the other. When you meet competition, put your emphasis not on demolishing it, but on making clear the strength of your own claims.

If you attack the idea of looking elsewhere, you may merely bring it into the focus of consciousness and make it more effective in controlling action. It would be better to appear perfectly willing to have him make a thorough investigation. Express your confidence that no competitor can surpass your offering in real merit. Your bargain will appear more attractive after the other things are seen. It may be well to talk about something else for a little while. Then return to your article, paint it in attractive colors, make your enthusiasm about it and confidence in it so clear that you will inspire a like feeling in your customer. Make your proposition so attractive that it will fully occupy the focus of consciousness. Make the desire for it so strong that the inhibiting ideas will pass farther and farther into the margin of consciousness, until at last they fade from view and lose their force completely. You have then, in the terms of technical psychology, dissociated the idea of the act you wish to have performed from the idea of acting in a contrary line, which prevented or inhibited the performance of the desired act. Then is the time to make a suggestion directed toward closing the deal.

The most successful salesman is the one who presents his selling points or reason why, so skillfully,

so enthusiastically, so convincingly that the attention is so fully occupied with them, that reasons why not do not come to mind. A salesman who consciously or unconsciously suggests objections is greatly increasing the difficulty of making the sale. It is often easier to anticipate or avoid suggesting opposing ideas than it is to deal with them after they occur.

MAKING KNOWN THE PRICE

If you succeed in arousing desire, you will no doubt lead the customer to ask the price. If he thinks it is too large, be prepared to show him it is reasonable; considering the satisfaction, saving or profit which will come from the article.

If he asks the price before you are ready to tell it, tell him you wish to make clear to him what it will do for him before you tell him what it will cost. Say you wish to make his understanding of the proposition so clear that he will be able to pass a correct judgment on the reasonableness of the price. If the customer is told the price prematurely he will be thinking about price when he should be thinking about quality.

FEELING OUT AND CLOSING

The fiat, or decision, or act of will performed by the customer in closing the sale consists in consciously dismissing or disregarding all ideas tending to oppose the deal, and in decisively accepting the proposition and giving the attention freely and fully to the performance of the act necessary to closing. Closing is cutting attention loose from opposing lines of action and centering it on the act of purchasing.

If the suggestive force of the solicitation has been strong, even if opposing ideas prevent the full performance of the act of closing, the act is at least incipiently performed. That is, faint tendencies to perform the act are manifested in the appropriate organs. These tendencies will at once pass out into the complete performance of the act, if the customer can be led to turn decisively away from further consideration of opposing ideas. The natural impulsive power of the idea of the action then becomes fully effective in bringing about the performance of the action.

To get the customer into a state of mind in which he is ready for closing, the salesman must keep his attention centered on the attractiveness of the bargain he offers, not on his own desire to sell. Every point he has scored in his solicitation,

whether in creating confidence in the integrity of his firm, in the desirability of the service it has to offer, in his own knowledge, honesty, and judgment; or in making clear the quality, style, value, or other desirable features of what he has to offer, each point, if properly made, will have suggestive force persisting and converging toward the act of closing.

The sale may be lost by talking too long, as the salesman may thus suggest some idea which may again arouse a state of indecision in the mind of the customer who has practically decided to buy. The salesman must judge from the words, attitude, manner, and expression of the man, when it is best to endeavor to close.

The so-called psychological moment for closing is when the customer has become interested and convinced and feels a desire and impulse to purchase, then the time is ripe to make the attempt to close. To bring about this state of mind, the salesman, toward the close of his solicitation, should hold the attention of his customer centered on the most attractive features of his proposition, by enthusiastically presenting his strongest selling points in brief review, or summary form.

To determine whether the time is ripe to make an effort to close, the salesman must employ what we have called feeling-out suggestions. He may thus sound his customer by making a suggestion to action which, if carried out, implies willingness to make the purchase. Generally the suggestion is made by

asking a question of such form that the customer shows willingness to close if he gives the suggested answer. Examples of feeling-out questions will be given later.

The suggestion that the customer definitely commit himself, gets its effectiveness, not through the force or persistency with which it is made, but as a result of the proposition commanding the interest and attention and arousing the desire so fully that it excludes all thoughts or tendencies to act in a contrary line. To prefer the proposition is to attend to it to the exclusion of other lines of action. To make the act of choice is to cut loose from opposing ideas and center the attention wholly on the thing chosen. When the attention thus centers itself on the act of purchasing, the recognition of the desirability of making the purchase becomes the fiat of the will that the thing be purchased. The customer then says the decisive word, writes his check, or signs his name, or does whatever else is required to close the deal.

When this stage in the solicitation has been reached the salesman should not ask "You don't want to buy this, do you?" or even "Will you buy this?" He should act as if he were reasonably certain he would do so. His tone of voice, words, manner of expression, and actions should all show that he is confident of making the sale. He should make his question serve as a suggestion that he buy. "This looks like a good proposition. How many will

you need?" The salesman can handle the goods he is displaying, or his order book in such a way that he will make clear his belief that the sale is as good as made. But great tact is required not to offend the customer. It is only a short step from the attitude of the salesman confident for good and sufficient reasons, to that of the conceited and presumptuous fool.

If the salesman feels that the man is about to turn him down, he should lead him to talk about some unrelated matter he is interested in, such as baseball, the theater, church, or politics. When he feels that he has got him in a favorable state of mind, he should again present his subject with renewed enthusiasm and see if he can not carry the man along with him.

In feeling out a customer to find out whether the time is ripe to attempt to close, the salesman should ask him questions which will reveal the state of his desire in such form that the answer suggested would commit him to making the purchase. These questions should be framed so that they can not be answered by yes or no. Such questions are, "Which style, or finish, or model do you prefer?" "How much do you think you can use?" "How soon would you want it?" The insurance solicitor can say "When will it be most convenient for you to take the examination?"

The customer may ask from the salesman questions which would bring from him answers he

should get from the customer. The situation may be handled in this way: If he asks the salesman which style or model he prefers, he can say "That is a matter of individual tastes and needs. Which do you think would best satisfy your needs?"

If the customer makes a selection, put it down at once. After you have closed the deal you can return to this point and rectify the mistake, if you think one has been made. Or you can rectify it then and there, but after it is down. Of course, the salesman should give the buyer the benefit of his wider experience and greater knowledge of the thing he is selling, and sell him what is best adapted to meet his needs, not what he may wrongly have taken a fancy to, through a mistake in judgment.

If the customer asks how soon he can get it, ask him how soon he will want it. If he says right away, say "All right, we'll wire the order right in and have it sent immediately by express." If he asks what terms he can secure, ask him what terms he would like. When he has indicated his preference, as to style, quantity, date of delivery, etc., put them down and say, "All right, sign right here, so that there can be no mistake about the details, and we'll have it here promptly."

In closing an insurance solicitation the following procedure might be followed: The agent could secure assent to his proposition by some such statement as the following, summarizing the main points

of the appeal: "Mr. Blank, I am sure you will agree with me that every man ought to secure himself against business failure and provide for a comfortable old age. He ought to take every precaution to see that his family will be protected against hardship after his death. I have shown you an absolutely safe and sure means of accomplishing these things. I believe you see that the $5000.00 endowment policy I have explained to you will meet your demands satisfactorily. Your signature on this application (as he presents the blank and a pen for his signature) will insure this protection for yourself and your family. Be sure to write your middle name in full." The presentation of the blank and pen, and the remark about the middle name, center the attention on the act of closing. They suggest strongly that the act be performed.

If the man hesitates to sign, the agent should again summarize his main points, presenting them in his strongest way, and show him he is urging him to take a step in line with his dearest and most important interests. He should show that any sacrifice he may be called upon to make in buying this protection is so small that it may be disregarded in comparison with the satisfaction of knowing that his business is safeguarded, comfort is provided for old age, and those he holds dearest are protected against hardship.

In attempting to secure the signature the agent should place the order which he has made out as the

points were agreed on, in a convenient position for signing, should indicate the place for the signature and offer the pen to the man as he says "Sign right here, please." If the man hesitates the agent should add, while still holding the pen and blank in such a way as to suggest signing, "We'll have it here on time and you will be even better pleased with it than you anticipate. You will look a long while before you find a better bargain than this." Of course, it is hardly necessary to say that the remarks given above can not be comitted mechanically and used in every case. We are trying by means of illustrations to suggest general principles which may be applied in ways adapted to varying circumstances.

The request for the signature must be made very tactfully to avoid giving offense. The customer will naturally resent very strongly anything that suggests that his word is not as good as his bond.

To avoid such an implication, as he places conveniently before the customer the order he has filled out and offers him the pen the salesman can say: "Please sign here to show that this order is correct," or "to O. K. it," or "to approve it," or "to authorize us to send it to you." On the order presented for signature the salesman should have written the "O. K." or "Approved," or "Authorized," so that the buyer can conveniently sign his name under it.

The retail clerk could attempt to close with his customer by asking "Which quality or pattern do

you prefer?" "How much do you need?" "Will you have it sent out?" He could lead on a hesitating customer by such remarks as "You won't find a better bargain or a more becoming style than this." etc.

In attempting to close, take for granted, but not in a presumptuous or conceited way, that you have made the sale. The answers to the questions you ask, or the responses to the suggestions you make will guide you in further efforts to close.

Sometimes it is necessary to attack directly and overcome a determination to delay the decision until some future time. The salesman must show that the decision should be made now. The customer has all the evidence clearly in mind. He feels its full force. He is in a better position to decide now than he will be later on, when some of the important features will no longer be clearly grasped.

You have made a careful examination of this proposition. You are convinced that this article is all, or more than is claimed for it. You are conscious of a strong desire to secure it. You believe that purchasing this article will further your best interests on the whole and in the long run. Why should you delay. Your vision of your true interests is clearer now than it will be later on. Now is the accepted time. This opportunity is open to you.

The successful man is the one who has the strength of will, the decisive character, and courage of conviction which lead him to reach out and grasp the opportunity for profit when it is offered. By

embracing this opportunity you will put yourself in a position to grasp other opportunities later on. In the past you have no doubt regretted that you did not inconvenience yourself a good deal to take advantage of opportunities offered, which your deliberate and better judgment told you would turn out well.

Your success has come from promptly taking up good things when they were offered. I am absolutely sure that this proposition is to your advantage --that it will do even more for you than I have claimed. My reason for insisting now is that I am more interested in your future success and good will, than in putting through this particular deal.

I would not be acting in accordance with the true interests and permanent prosperity of a valued customer if I did not urge you to grasp your opportunity when it is offered. Your interests are identical with my own interests and the interests of my firm. We wish you to build up your business so prosperously and to derive such satisfaction from selling our goods that you will be on the market for larger orders in the future.

Our future growth and prosperity is absolutely dependent on the increased business and profit of our customers. I am urging this matter on you so strongly because I know that here is offered to you a great opportunity, and I know that your acceptance of it will bring mutual and lasting satisfaction to both of us. Feeling as I do, I would be disloyal

to your interests and those of my firm, if I did not urge you with every resource at my command to embrace this golden opportunity for profit. I am sure you will follow your own best judgment and grasp this opportunity leading straight to great and lasting success.

I recommend that you try about this amount. You will dispose of it so readily that you will want more in a short time. Shall we make the order for this amount? Of course, when the words "this amount" is used above, the salesman must state the quantity, amount, style, or type of article he honestly believes the man can handle successfully. The talk should be adapted, all the way along, to the thing offered for sale.

If the man objects that the amount mentioned is too large, show him that the experience of other men similarly situated has been that if only this amount is ordered, it will be necessary to reorder in a short time. If an advertising campaign is being carried on to assist in selling the article, show him that it is bound to create a large demand. Suggest to him ways in which he can display, or advertise the article so as to dispose of it profitably, etc.

If he objects that it costs too much, make clear the difference between an expense, which brings in no return, and an investment which will increase profit or reduce expense. If you are selling the satisfaction of some interest other than that in wealth, show that the satisfaction he will derive from

the purchase will more than offset the sacrifice in purchasing it.

Suppose the man is satisfied with the line of goods, but will not close, though it seems probable that he will do so later on. The salesman could leave an order blank with him to use in sending in an order, though there was not great hope that he would use it without further solicitation. It will at least suggest strongly that he is desirous of getting the order and confident of securing it later on. The confidence as expressed may help hold him in line when he is approached by competitors.

The salesman can do something toward retaining the interest he has aroused, by asking him to remember that his goods have the quality which give satisfaction, and selling points which make them easy to sell. This is the line he will ultimately buy. Make it clear that you can give him pointers which will enable him to handle your line successfully. Get the advantages of dealing with you so firmly associated with the general line of goods that when he thinks of ordering in that line he will think of your line. Get his assurance that he will give you another chance before ordering.

AFTER CLOSING

When the sale has been closed, the best course for the salesman, as a general rule, is to let well enough alone.

In many cases the salesman's task is not ended when the sale is closed. Frequently the objections, or doubts, or inhibiting ideas which were lurking around unnoticed in the dim margin of consciousness, kept out of the center of consciousness by the effective solicitation of the salesman, will crowd triumphantly into the spotlight of consciousness as soon as the salesman has left. Fears and doubts and regrets will fill the purchaser's mind. Don't leave your customer in a doubtful, over-persuaded, or half-convinced state of mind, with a lurking fear of failure which will partially paralyze his efforts and make the transaction a bad one for him.

Leave the purchaser confident that he has made a good bargain. Give him suggestions as to how to make the most of it. His effectiveness in pushing your line will depend on his confidence in it. A hopeful outlook founded on a reasonable basis will make success practically certain. A few well-directed suggestions tending to start the customer's thoughts to working along the line of developing his proposition in the most effective way will help materially to keep the paralyzing devils of doubt from

getting a prominent place on the mental stage. The salesman can thus pave the way for the success of his customer and for future sales for himself.

Just as the physician can contribute materially to the recovery of his patients through suggestion, so the salesman can use suggestion to improve the business of the customer after the sale is made. He can impress on the man who has bought, the qualities which give the article commercial value and the best ways of presenting them in selling talk, in display and in advertising, and the best way to handle sales. He can give him advice as to condition of markets, amount of stock to carry, coming fashions, and how to meet competing lines, etc. Of course, this helpfulness need not be restricted to the line the salesman handles.

THE DEPARTURE

After the solicitation has been finished the salesman should not make further demands on the customer's time. He should make his departure promptly and as tactfully as he made his approach. It may be well to express confidence that the satisfaction to be gained from the purchase will measure up fully to the anticipations aroused by the selling talk.

The salesman should thank his customer cordially, whether he has made a sale, or not. He should make it clear that he desires to be informed at any time when he can be of service, and say good day.

He should carefully avoid making the impression that his interest in the customer ended when the solicitation closed. The prompt departure should seem to come, not from a hurry to get away, but from a desire not to waste a busy man's time.

GENERAL CONSIDERATIONS

The true salesman loves the game of selling. He studies its theory and strategy. As the runner warms up to the race, so his enthusiasm increases as the competition becomes stronger. He is a good sportsman when he loses.

A growing salesman studies his successes and failures to find out why and how he made them. A man is stronger after each defeat, if he takes the pains to learn the cause of his failure and avoids that cause in the future. He is ever on the lookout for suggestions which will increase his power and skill. He finds them in the course of daily business, in swapping experiences with other salesmen, in attending conventions and in reading books and periodicals.

The salesman should acquire the habit of concentrating all his energies on what he is doing. However he should not hustle and bustle and waste his energy with unnecessary strenuosity. Over tension and anxiety are more exhausting than work. Worry and nervousness are great enemies of efficiency.

Every one should maintain a healthy interest in some avocation so that he can turn to it for rest and recreation. Some form of athletics, the theatre, some branch of study, any one of many things will do, provided he can arouse a healthy interest and

forget business while engaging in it, and return to business later on refreshed and re-energized. One should eat rationally, secure plenty of sleep and exercise and see that he is fresh and vigorous when undertaking important tasks.

The salesman's usefulness to his firm is measured by his loyalty to it. He should regard its concerns as his own. He should not carry a side line which may lead him to neglect his employer's interests. If a man cannot be loyal to the firm which employs him and become thoroughly interested in his work, he should hunt another job. It will be best for both him and the firm in the end.

The salesman should have a broad and accurate fund of general knowledge, and be interested in the recreations and business pursuits of his customers so that he can talk interestingly on other subjects than shop. Ignorance revealed in any subject a well informed man should be up on, lessens esteem and destroys confidence. General knowledge and culture add to personal attractiveness and make not only a better salesman but a more useful citizen.

The salesman should ever try to excel his past performances. He should hold before himself a yearly, monthly, weekly and even daily amount or "quota" which he endeavors to attain or excel. He should keep himself keyed up to hard work. One rarely works up to the limit of his powers. He should cultivate the buoyant, persistent, resolute spirit which will not acknowledge rebuff or defeat, as long

as there is a chance for success. When defeat comes, he should think of it only long enough to grasp its lesson, and should then devote his thoughts and energies wholly to planning and gaining future success.

SALESMANSHIP AS A PROFESSION

A study of the general conditions, factors, and processes involved in producing and marketing serviceable things is an economic rather than a psychological study. However, there are many problems in this field that can be solved only by the application of psychological knowledge.

Salesmanship plays the part of central and prime importance in the processes involved in the exchange of services or serviceable things. The function of salesmanship is to bring about a mutually advantageous exchange of services, or of serviceable things.

In order that the part which salesmanship plays in marketing services may be ranked as a profession, the salesman must attain a mastery of a fund of practical skill and special knowledge. This knowledge embraces the mastery of a body of scientifically developed and sytsematically organized general principles which must be applied in the intelligent practice of the art of selling. In order that the work of the salesman may be accorded professional standing, the special fund of knowledge and of skill in dealing with practical affairs must be employed in such a way that the exchanges of services which are brought about will be mutually and fairly advantageous to all parties concerned.

In order that the work of the salesman may be

ranked as professional, he must have an understanding of the general and special problems of marketing commodities. Although a large part of this knowledge is economic, it may be well to take a brief glance at some of the more important features of the field. It may help the salesman to bear in mind that he should know and use more than is required merely to make a sale, if his vocation is to secure recognition as a profession.

PROBLEMS OF MARKETING COMMODITIES

A large problem can not be solved until it has been analyzed into its component parts. The general aim of business is to produce and exchange commodities fitted to satisfy the needs of men. To carry out this aim the needs must be clearly discerned and their importance for well-being must be appraised.

To realize its general aim, business must solve many difficult problems involved in the production and marketing of commodities. The solution of each problem in turn becomes a general aim which must be subdivided into many problems demanding solution. Each of these problems must also be looked upon as a combination of many problems. In discussing the process of thinking we have made clear the general method which must be followed in solving problems. We state here some of the problems marketing has to solve.

The salesman should understand the part his work plays in the complex processes of business. Business includes the industrial processes of producing goods fitted to satisfy needs, also finance, accounting, law, and marketing. The salesman performs a part of the work of marketing the service rendered by the business.

The general plan of marketing, or distribution, must be worked out by employing data gathered

from a careful study of some or all of the following factors, according to the nature of the commodity.

The market must be analyzed. What are the qualities of the commodity which fit it to promote well-being? Is it demanded by all, or by certain classes? Is the consumption of it continual, occasional, or seasonal? Does it serve a permanent interest, or an interest which has the nature of a fashion, or fad, or fancy?

There must be a survey of the field in which the market must be sought, to find, among other things: the present number of the consumers of the commodity, their per capita consumption, and the prospect of increasing either this consumption, or the number of consumers; the ratio of present consumption to unit area of territory, in various parts of the field.

The production and marketing of competitors should be studied to determine: their number, their combined and individual output, the distribution of their outputs, their best and worst markets, the accessibility of their markets, the channels through which their output is distributed, whether through jobbers, or direct to dealers or consumers, by salesmen, or by mail order, their advertising methods, etc., the location of dealers and jobbers in the territory; the possibility of increasing the number, etc.

The manufacturing methods of competitors, the merits and demerits, and prices of their commodities must be considered.

Those who have the direction of the marketing

should know, the financial resources and capacity of their own plant, the cost of raw materials, of manufacturing, of overhead expenses, and of selling, the amount of business possible to be secured, and the amount likely to be gotten, the amount of business likely to be secured in various districts of the market, estimated according to the area and accessibility of the districts.

The one in charge of the marketing should know the cost of production, the lowest price which can be accepted, the best price which can probably be obtained, the amount which any possible lowering of price would increase the consumption, and affect competition. When he has determined the price which should be asked to secure a fair return for service rendered, he should be able to estimate the probable sales and profit, as a basis of determining how much should be spent for selling and advertising. These estimates should be based upon what competitors are doing, the comparative desirability of commodities, and, if the business is new, the greater cost of selling resulting from the lack of good will.

The plan for marketing must be adjusted to the various conditions of territory and competition. It must take into account the capabilities and limitations of its own industrial and financial resources. A general plan of distribution should be formulated which is adapted to all the requirements revealed by the survey and analysis of the market.

The general plan of marketing should formulate

plans for advertising and selling. The advertising and selling plans should be properly co-ordinated with each other, and adapted to cultivating the market most profitably. An efficient shipping department should be organized.

In developing material to be used in the appeal of the salesman, and of the advertisements, the commodity should be studied to determine, whether it has distinctive features of serviceability, or whether it is difficult to distinguish from other similar things. The name, the package, and the trademark should be carefully scrutinized. They should be made attractive and distinctive, and should be protected as fully as possible.

The articles of competitors should be studied to get knowledge like the foregoing in regard to them. The strong and weak points in their appeals should be noticed, and how much they have influenced consumption. The efficiency of the advertising methods should be noticed, also the value placed on various media as evidenced by their use.

The stationery should be attractive. Follow-up methods and material should be carefully worked out.

The salesman should have a sound grasp of the fundamental principles of marketing. He should master the special marketing problems of his own line, as well as the theory and practice of selling. Specialization in selling narrows the view, unless it is accompanied with progress in general knowledge.

The narrow specialist in selling can not view the significance of his work in the right perspective. He can not readily adapt himself to the changes in conditions that are certain to come. He has small chance for promotion to a position of greater responsibility. Every salesman should have a knowledge of the broader problems of marketing, as well as a knowledge of the processes of selling, and skill in practicing the salesman's art.

The salesman should be thoroughly familiar with the plan adopted for marketing his commodity. He should understand the general advertising policy, and should keep in touch with the things done in carrying out that policy. He should carefully coordinate his efforts at selling with the advertising campaign, so that the salesmanship and the advertising will be mutually helpful. He should also see that the efforts of the local dealers are properly adjusted to profit by the work of the advertising department. He should be a competent adviser in regard to their methods of display, their local advertising, etc.

He must know the previous successes of the house in his territory, how much opportunity there is for growth, and where his efforts will be likely to bring the best results.

The salesman should know the terms of sale, the credit rating of those to whom he wishes to sell, and the normal requirements of their business in his line.

The salesman should keep the firm informed in

regard to the financial standing and business success of actual and prospective customers. He should be keenly alive to the amount and character of competition, its points of strength, and of weakness. He must know the style and quality of goods desired. He is ever alert to find how his own line may be better adapted to satisfy the needs of the consumers. The salesman must improve every opportunity to gather data which will be helpful to the manufacturing and marketing departments.

The foregoing should be taken as illustrative rather than literally prescriptive. It should be adapted to the particular conditions of the commodity. The aim has been to make clear that a man must be more than a narrow specialist in the art of selling, if he is to perform efficiently the duties of a salesman.

The aim of the business should be to render normal service to the consumer. The return secured should be only a fair exchange for service rendered. The salesman should be animated by the same ideal.

The salesman should be more than a mere expert in the art of selling. But general capacity and proficiency are not enough. He must understand the general principles of the processes of selling and have skill in practicing the art.

Psychological processes are the most important factors with which the salesman has to deal. The salesman must employ his own mental processes, so that he will be most efficient in influencing the mental processes of prospective purchasers, in such a

way that they will desire and buy. To do this, he should understand the mental processes of his own and the buyer's mind.

Practice guided, not by general principles, but by haphazard trial, may give a certain skill. One may, in this way, attain to a certain degree of success without being efficient.

An exhorbitant price is paid for skill acquired by this wasteful method. The skill so acquired is not adaptable to changing conditions, except by the same wasteful process of random trial and error and the selection of lucky hits.

The salesman must not merely understand the general principles of the selling appeal and the function of its various parts. He must acquire proficiency in practicing the art of selling.

The salesman must know many things about the particular commodity he is engaged in selling. He should know something of the materials and the process of manufacturing. He can then give the buyer an idea of the materials, and labor, and machinery required to make the commodity. He should thoroughly understand the serviceability of his goods. He should know the serviceability of his line in comparison with competing lines; the points of relative advantage and disadvantage, etc.

By this time, it should have been made clear to the salesman that, in practicing his art, he is dealing with psychological processes. Attention, interest, desire, suggestion, impulse to action, and many others, have been dealt with frequently in developing

the general theory of salesmanship. An attempt will now be made, in Parts II and III, to give a clearer understanding of these processes.

PART II

PROCESSES OF THINKING, FEELING, AND ACTING

BEHAVIOUR

Behaviour is purposive activity, or activity which aims at some desired end. Behaviour is intelligent, rather than merely impulsive, when it involves comparison of means available for the attainment of an end, and the selection of the means which the comparison shows to be best fitted for the attainment. Psychology deals with the constitution and processes of the mind as factors in behaviour.

DISTINCTION BETWEEN MENTAL AND PHYSICAL PROCESSES

Think about your brain! The brain is a material object. It can be weighed in ounces and measured in cubic inches. It fills a definite amount of space in the skull. Another material object can not be put in the space occupied by the brain without injuring and displacing it. When the skull is opened, the brain may be observed by a number of people at the same time. The brain is a manifestation of certain processes, known as vital and physical, the inner nature of which is clearly beyond our power of direct observation.

Now think about the thing which thinks about the brain. This is the mind, or the processes manifested in the consciousness of the thinker. Conscious processes do not fill space or have weight. The head is no fuller and one is no heavier when he is thinking of a ton of coal than when he is not thinking at all. The mind is not in the brain as the seed is in the pumpkin.

Objects of the material world may be observed by many. As far as our observation reveals, they are not conscious of their existence or of what is happening to them. Mental processes are conscious of being mental processes. In the lowest, or least developed, forms of living things the consciousness must be extremely vague and diffused. It probably takes the form of a feebly felt striving. In man, with whose mental processes we are here concerned, the mind not only thinks, feels and wills, but also knows that it does so. In man, conscious processes are self conscious. In self consciousness the ability to observe and classify and understand the function of conscious processes has been developed.

SUBJECTIVE AND OBJECTIVE REALMS

The things, of which we have experience, but which exist independently of our experience of them, are called objects of experience. They make up what is known as the objective world. Our conscious processes which experience the external objects, together with our experience of these objects

are said to be subjective. Our thought or idea of another person, or of a house, or other material object, is subjective, but the person or the house is objective.

METHOD OF GAINING PSYCHOLOGICAL KNOWLEDGE

The study of mental processes is carried on by introspection, which means looking within one's own mind. Every normal person can observe and describe, more or less satisfactorily, what is going on in his own mind. He does so, for example, when he says he is puzzled, or was imagining, or thinking, or feeling pleased, or angry, or striving, etc. The introspection which the psychologist employs is similar to this universally practiced self observation. The psychologist merely takes more pains to make his observations clear, accurate, and complete.

Progress in the knowledge of the workings of one's own mind would be very slow, if one had to rely solely on the results of his own introspection. In psychological literature, one finds accumulated the knowledge gained by the efforts of the best observers and thinkers of countless generations of men. Psychologists have gathered the general conclusions from this wide range of observation and experience, and have arranged and classified them and tested their truthfulness by applying them to experience to see whether they would work satisfactorily in giving us guidance in dealing with experience.

Reading, alone, will not make a good psychologist,

any more than it will a good physician. A book can only serve as a guide in pointing out what to look for, where to find it, and what its significance is. If one is to acquire useful psychological knowledge, he must become interested in, and skillful in observing what goes on in his own mind.

One has not mastered the general principles developed in this book well enough to make them helpful in the practice of salesmanship, until he can illustrate them with elements of his own experience, other than those given in this book. One has not mastered a thing until he can apply it successfully. Attempt at application is an efficient method of learning. One can thus tell whether he has grasped a thing. If one can not verify in his own experience the truthfulness of the general principles explained here and provide additional illustrations of them, he has not adequately grasped them.

EXPERIMENTAL PSYCHOLOGY

Certain mental processes have been studied experimentally. By using the apparatus and following the directions of the original experimenter, the processes can be reproduced as often as desired, under conditions which free them, to some extent, from confusing and distracting factors. In this way the conclusions of the experimenter may be studied by many different observers, and modified, or corrected, or verified as holding good for all minds. Experi-

ment, when it can be applied, merely aids, rather than takes the place of introspection.

KNOWLEDGE OF THE MINDS OF OTHER

Psychology assumes that the minds of all men work according to the same laws, and that conscious processes and behaviour are similarly correlated in all persons. That is, the same conscious processes are manifested by the same forms of expression and behaviour.

Also simliar forms of expression and behaviour may be assumed to have resulted from similar conscious processes.

We can not directly observe what is going on in the mind of another. The mental processes of another can only be inferred from what he says and the expression of his countenance, and the tone and manner of saying it, and from what he does and his manner of doing it. These things that are significant expressions of the mental processes of others, can be interpreted rightly only as one, as the result of accurate introspection, has a correct knowledge of the processes in his own mind which have the forms of expression he observes in others.

Not only thoughts, but also feelings and volitions are communicable. Through understanding the interplay of processes in his own mind one gains insight into the interplay of processes in the minds of others.

In saying that we know the minds of others only

by inference, we do not mean that we must clearly discriminate the significant expressive elements in the total impression we are receiving, and center attention on them, and make explicit inferences from them. Through wide experience, carefully digested, we learn to apprehend the subtle expressions of the feelings and emotions of those with whom we deal, without being able, in many cases, to tell just how we do it. We learn to apprehend the symbols of these as readily as we learn to apprehend the thoughts expressed by verbal symbols. Our attention is not directed to the symbol in either case.

The ability to understand the feeling and motives of others is largely instinctive. One who did not have at least an innate capacity along this line that could be readily developed in experience would not get along well with his fellows.

CLASSIFICATION OF CONSCIOUS PROCESSES

Psychology aims to describe and classify the various conscious processes as they are manifested in experience, and to make clear their correlations with behaviour. As one observes his conscious processes he will distinguish in them three aspects, known as thinking, feeling, and willing.

The processes of knowing about things are studied in psychology under the headings, sensation, perception, conception, association, memory, apperception, judgment, and reasoning.

In sensation and perception we get a knowledge of our own bodies and of the external world. We may distinguish a mere sensation of warmth, cold, light, color, sound, touch, taste, smell, pressure, muscular strain or motion, without referring it to any particular object. But when we are aware of a warm object, or moving object, or colored object, we are said to have a perception of the object. We can distinguish a sensation of red, but we have a perception of a red apple. In the perception of the apple, along with the actually experienced sensation of redness, we attribute to it various qualities as roundness, smoothness, weight, taste, edibility, etc., which, our previous experience has taught us, are possessed by apples.

We form concepts or general ways of thinking and behaving in regard to objects, we pass judgment on them, and enter into extensive trains of reasoning about them.

We not only have various processes of knowing about objects; we are also affected by them. That is they arouse feelings of pleasure or pain and various emotions. A cut or bruise causes a feeling of pain. When you are cold, a fire gives a feeling of pleasure. Other experiences may give rise to the more abiding emotions of joy, sadness, pity, sympathy, hate, love, jealousy, respect, anger, fear, remorse, happiness, etc. These emotions spring from more complex intellectual processes than do the feelings. They are also tinged with pleasure or pain.

The volitional processes are attention and volition. They will be studied more fully later on.

The processes of thinking, feeling, and willing, are merely distinguishable, but not separable, aspects of the one conscious experience. Thinking, feeling, and willing are manifested, with varying degrees of prominence, in every conscious process.

MIND AND BRAIN

Mental processes are accompanied by and depend upon brain activity. Increased mental activity involves a similar increase of brain activity. The increased brain activity requires more nourishment and produces more waste matters to be eliminated. Other organs of the body such as those of digestion, the kidneys, the liver and the lungs must work harder to supply the energy and eliminate the waste. A sound mind requires the services of a sound body.

Salesmanship makes heavy demands on both the mental and physical processes. The efficiency of the salesman will vary with the general condition of his body. He should be careful to take proper food, exercise, recreation, etc. Excessive exercise or severe manual labor impairs the efficiency of mental processes. Loss of sleep prevents proper nourishment and removal of waste matters. It causes a temporary loss of weight, with a corresponding decrease in the amount of energy available for work.

HABIT

When we first undertake to perform a new act which is complicated, or requires special skill, our efforts are hesitating. Awkward and groping movements that are bungling and ill suited to the purpose are mingled with those properly directed. We note

with satisfaction the well directed movements, and endeavor to repeat them and to check the others. With practice, the movements gradually become better co-ordinated, more accurate, and easier to perform.

Painstaking effort, faithfully persisted in, develops skill. Finally, the whole complicated process is running smoothly. It runs along, almost without conscious supervision, while attention is directed to other things. Through discriminating practice and repetition, complicated acts come at last practically to repeat themselves, although they at first required careful thought and effort to perform them with indifferent success. To all intents and purposes the acts have become automatic. Acts which have thus, through practice, come to be practically automatic, are called habits. Thus we have learned to walk, to eat, to talk, to read and write, to sing, or play, or run a typewriter, or do the countless other familiar routine acts with which our lives are so largely filled.

The explanation of habit formation is largely physiological, rather than psychological. However, some hold that habit involves some psychical modification, as well as physical. The tissues of the brain are plastic. Plasticity means that the brain cells are modified by, and permanently retain, the effects of the activity which takes place in them. Nervous impulses, or currents of nerve activity, are aroused in the organs of sensation such as the eye, ear, or hand. They go through the brain, and then pass out

through another set of nerves to control muscular activity. In so doing they leave an effect on the nerve cells, or a "path" that other impulses will tend to follow. By repetition, definite channels are developed, which currents of nerve activity habitually follow.

While these channels are being developed, conscious supervision, guidance, and effort are necessary in performing the acts. When the pathway of nervous discharge has been definitely established, the impulse follows it without guidance. The switches are set for the impulses in the nervous tissue to pass along the right tracks. The physiological organism has gained the ability to perform acts which originally required conscious supervision. It performs them more quickly, and more accurately and with less fatigue.

In forming habits, the brain has been moulded by practice. It has taken on stereotyped forms by means of which many of the routine acts of life may be economically performed. The lessons of experience are thus registered in habitual ways of thinking, feeling and acting about things. Familiar acts thus come practically to perform themselves, while the attention and intellect are left free to grapple with new problems and situations which arise. We thus see the importance of rendering habitual the routine acts of our daily life.

LAW OF ACQUIRING PROFICIENCY IN A NEW LINE

The movements, or procedure, involved in forming a new habit may be learned by the method of trial and error, or by imitation of others.

When the right procedure, or combination of movements, has been apprehended, the factors which make for success in forming the habit are:

1. Concentration of attention on the task.
2. Careful rehearsal, or repetition.
3. The avoidance of lapses into another procedure until the habit has been firmly established.

With the formation of the habit there develops a propensity to do the thing in the way being made habitual. The habitual way grows to be the pleasant way. A departure from it becomes unpleasant.

One should make a strong resolve to form the new habit. He should reinforce this by holding in mind the satisfactory consequences which will result from forming the new habit and the unsatisfactory consequences which will result from failure.

When a man takes up a new line of work, his general education and experience enable him to make rapid progress at first. Improvement is rapid at first, because the steps of progress are made largely by merely using old habits, and previously acquired skill and knowledge, and reorganizing them and adapting them to a new use. When these easy steps have been made, and when farther advance depends mainly on acquiring new knowledge and developing

new habits, progress becomes slow and difficult. The enthusiasm resulting from the novelty of the work fades away. For a time one seems to make no further advance in skill. He may even become less successful in the performance. He has reached what is known as a plateau in habit formation.

When a plateau of arrested progress or develpment has been reached, the faint hearted often become discouraged and quit. However, the knowledge that their experience is a normal one should give them resolution to keep on. When a plateau is reached, further progress depends mainly on the ability to hold one's self to the task by sheer force of will, until the new knowledge is assimilated, the new habits are formed, and the new skill is developed. Finally another stage of rapid progress will be entered upon, and may continue for some time, before another plateau is reached, and another stage of arrested progress must be worked through.

Our nervous tissues are plastic in youth, but become less easily moulded as we grow older. Under twenty is the time to fix right personal habits of eating, exercise, neatness in dress, well modulated speech, ease in intercourse with others, etc. Between twenty and thirty is the age best adapted to forming intellectual and professional habits.

To develop a new habit of this sort, start with determination and vigor to do the act. Improve every opportunity to practice it. Make no exception in favor of the old habit. One brief lapse into the old

way, will sweep away much that has been gained by long and painstaking efforts, and will greatly increase the chance of future lapses occurring. Banish the old habit from your mind by keeping your thoughts fixed on the new one, and on the satisfaction to be gained from forming it. Keeping the old habit in mind develops an impulse to perform it which it requires effort to resist.

Every one should realize early in life that he must work out his own fate. Whether he is a failure or success depends largely on the habits he forms.

We easily become slaves to bad habits, or to poorly formed habits. The hell hereafter is not more to be dreaded than the hell we can make for ourselves on earth by developing wrong habits.

Habit gets one into a rut. We grow to like habitual ways of doing things. Constant self-criticism, alone, will tell one whether his ruts are carrying out of the line of progress and of greatest efficiency.

One should endeavor to discover the most efficient ways of doing the routine matters of his business and to make them habitual as soon as possible. Attention can then be centered on the important problems clamoring daily for solution.

The discussion of habit will be continued under the topic, "Developing Character and Personality."

ASSOCIATION OF PROCESSES OF THINKING, FEELING AND ACTING

The effect that the solicitation of the salesman has on the customer, depends on the processes of thinking, feeling, and acting, aroused in the customer by the suggestions and arguments used. The form which these processes will take depends upon the habits and associations previously formed by the customer.

ASSOCIATION BY CONTIGUITY

To make clear what is meant by association by contiguity, think of the word "stock " for a few moments, and then notice what thought follows it in your mind. The word stock may suggest to you the goods in a store, the paper representing a financial interest in some corporation, the raw materials from which something is to be manufactured, or a part of a gun, or a thing to wear around your neck, or the stock from which a cook makes soup.

A merchant would be most likely to think of the goods in a store, a broker of the stock certificate, a farmer of the animals, a haberdasher of the thing to wear round your neck, a cook of the soup stock. This is explained by the fact that each man has formed a habit of going in thought from the one idea to the other. When such an habitual process has

been established between thoughts they are said to be associated by contiguity.

The law we are now considering is often called the law of association of ideas by contiguity. But in using the word idea, we should bear in mind that an idea is a process of thinking about a thing. Also that an idea may become associated with a feeling. For example, if one has become ill from eating an article of food which he has previously liked, the thought of eating the article thereafter may arouse in his mind a feeling of disgust, with its volitional tendency to avoid eating it. If a customer has been offended by a salesman, or even unjustly feels angry at him, or dislikes him for any reason whatever, the customer may thereafter feel ill will for the store which the salesman represents. On the other hand, a courteous efficient salesman, who is considerate of the real interests of the customer, will inspire a feeling of good will which will become associated with the thought of the business he represents.

The thought of the store is much more likely to revive the feeling of ill will or good will associated with it, than the presence of the feeling of ill will, or good will, in consciousness is likely to revive the thought of the store. We tend to pass more readily from the processes of thinking to the processes of feeling associated with them, than vice versa.

The following statement of the law of association by contiguity includes processes of feeling and willing as well as processes of thinking. If two pro-

cesses have been in consciousness together or in immediate succession the reappearance of one of them will tend to recall the other.

ASSOCIATION BY SIMILARITY

If one disregards the spelling of the word "stock" and centers his attention wholly on its sound, it may suggest the word "stalk" having a similar pronunciation but a different meaning. This illustrates association by similarity. The law is as follows. A process of thinking tends to suggest similar processes of thinking. A process of feeling does not in the same way suggest similar processes of feeling. The process of feeling rather tends to bring it about that the process of thinking, or ideas associated with it, will suggest other ideas which have a tendency to arouse a similar process of feeling. This point will be made clearer later on, in discussing emotional congruity as a factor in association.

If you think of the moon, some idea previously thought of in connection with the moon may come into mind in accordance with the principle of contiguity. You may thus think of "green cheese," or of something you did on a moonlight night, or of something you know about the moon.

If you focus your attention on the brightness of the moon, you may next think of the sun, or of a light, or of some other bright object. If you focus your attention on the spherical shape of the moon, you may next think of a ball, or some other object of

similar form. If you focus your attention on any aspect, quality, or characteristic of an object, the object may suggest any other object which has the same aspect, quality or characteristic, no matter how unlike the two objects may be in other respects.

Any object may suggest any other object which resembles it in any respect, provided the attention is focused on the quality in which the objects resemble each other. The similarity may be commonplace and evident, or far-fetched and fanciful, as in poetry. The similarity may be one of abstract relationship and difficult to perceive. A classical example of this is Newton's perception of the similarity in relations between an apple falling to the earth and the moon drawn continuously toward the earth, so that it moves around the earth, rather than passes off into space in a straight line; as it would do, if it were not attracted to the earth as the apple is. By assuming the force which holds the moon in its orbit to be the same as the force which causes the unsupported apple to fall toward the earth, Newton was able to demonstrate that the motions of all the bodies in the universe conformed to the law of gravitation. He proved the universality of the law of gravitation. The great inventor is the person who sees the similarity of relations which makes it possible to put a familiar contrivance, or process, to a new use.

The great poets and artists, and leaders in thought, the great inventors and captains of indus-

try, in short, the geniuses in every line, have minds unusually fertile in association by similarity. Fortunate is he who can see the resemblance of things!

An idea which a salesman presents in his solicitation may arouse in the mind of his customer, through association by contiguity, any idea which the customer has habitually thought of in connection with the presented idea. But other things being equal, the presented idea is more likely to suggest an idea which has been recently or vividly thought of in connection with it. Or the idea suggested by association may be similar to the idea presented, and will probably be in harmony with the existing emotional tone of the customer.

It is probable that the word stock, when previously thought of, revived the idea most firmly connected with it by habit. Now stock may suggest a neck piece, or soup, because the latter ideas have been recently in mind, and probably vividly so, since the association caught the attention because it seemed far-fetched.

If you were in a vindictive frame of mind the word stock might suggest the "stocks," a contrivance formerly used to punish criminals. To an unsuccessful or discouraged merchant, the word stock may suggest that he has too large a stock on hand already, and that he should reduce it rather than add to it. A successful and optimistic merchant tends to think of increasing his stock, as a means of increasing his profit. The trend of association is thus

determined by the emotional state. The idea brought to mind by association will tend to be in harmony with the prevailing emotion.

His emotional state is an important factor in determining the thoughts and actions of a man. The "bull" is in an optimistic attitude of mind in regard to future prices, while the "bear" is pessimistic.

The salesman must endeavor to arouse in his customer's mind a general emotional attitude favorable to the acceptance of his proposition. He should aim to create a feeling of confidence that business will be prosperous in the immediate future. A desire for profit aroused will tend to make one buy the thing offered as a means of increasing profits. A vivid fear of loss will make it easier to sell fire insurance, or a fire-proof repository for business records.

MEMORY AND THE ART OF RECOLLECTING

The law of habit, manifested in forming associative connections among mental processes explains the ability to revive, recollect, or recall processes previously experienced.

The memory and recall of mental processes depends upon the fact that during the experiencing of the processes the structure of the brain is modified. A permanent change takes place in the structure of the cells of the brain and in the arrangement of the connections between them. The brain thus retains a trace of the mental process after it has passed out of consciousness. The activity has established a course through which the nervous excitation will tend to pass more readily in the future. A stimulus is more likely to follow a previously established course than to open a new one.

The existence of such an inactive brain path is retention. When the brain path is again stimulated to activity it gives rise to, or revives, the mental process which accompanied its formation. The process is thus remembered and recalled.

In studying memory and the art of recollecting, it is convenient to use the familiar term "ideas." However, we should bear in mind that an idea is a *process* of thinking. A process of thinking is found only as a part of a conscious process which also in-

cludes feeling and volition. The conscious process always has these three distinguishable, but not separable, aspects or factors, of thinking, feeling and willing. But, in order to get a clear understanding, it is necessary to study one aspect or factor at a time, while others are disregarded. In studying memory, our attention is thus mainly directed to the process of thinking.

When we are dealing with the conditions which account for the retention and recall of ideas, we naturally ask how can one increase his ability to retain and recall the things he wishes to know?

Ideas may be remembered and recalled as a result of associatively linking them together by mechanically repeating what we wish to recollect. Will practice in this form of memorizing increase our ability to memorize? Many experiments have shown that the retentive capacity of our brain tissue can not be noticeably increased by any effort of ours; though it will vary with our freshness, fatigue, health and age. It is possible to make great improvement in one's ability to memorize, but other methods than mere mechanical repetition are required in order to achieve the result.

The ability to retain and recall ideas can be increased only by forming improved habits of memorizing. The habits which make for efficiency in memorizing are a habit of clear and adequate observation and thinking, and a habit of discriminating and appropriate association. Both these habits in-

volve the habit of concentrating the attention.

The prime essential of correct memorizing is to see that the things one wishes to be able to recollect are clearly and correctly perceived. The fact that one wishes to remember a thing shows that it has certain qualities which make it a factor bearing favorably, or unfavorbly, on the satisfaction of some interest.

The qualities which make the thing such a factor are the essential or significant qualities. In other words, the meaning of a thing is its bearing on the satisfaction of our interests.

The thing should be linked firmly by association with the interest whose satisfaction it concerns. The most salient, or characteristic qualities, that is the ones which will serve most readily and certainly as a means of recognizing the thing, must be singled out and carefully noted. They should be associated with the less obvious or significant qualities, or meaning, to serve as cues of recall.

We must carefully observe the essential or significant qualities of the thing. That is, we must note its bearing on the satisfaction of our interests. We must also note the significant and easily recognizable characteristics, and firmly associate them with the meaning of the thing. One should also observe the most natural or important connections between the object he wishes to remember and his previously existing store of ideas. These will be ideas closely connected by previously formed association with

the interest concerned with recalling the thing. We must connect these ideas with the idea to be remembered by as many association links as will be likely to prove useful. To make the associative connections between the ideas as serviceable as possible, the attention should pass from one to the other in the order in which it will be useful to recall them.

Two orders of recall should be established. The interest should serve as a cue to recall the thing as a means of satisfying it. The thing should serve as a cue to recall or awaken the interest and suggest to it that here is a possible means for securing satisfaction. To insure this result one should notice these relations and should endeavor to establish firm associative connections in both orders of recall. The occurrence of the need should suggest the thing. When the thing is encountered, it should suggest an opportunity of satisfying the interest.

Suppose that while studying salesmanship you are looking around for an opportunity to advance at some future time your interests as a salesman. When you meet men who may be able to give you a position, or help you to get one, you should firmly associate the idea of the men with your interest in getting a position. Your interest in getting employment should suggest the idea of the man as a possible means of getting employment. A meeting with the man should suggest that here is a possible opportunity to get employment.

Let us consider a more concrete illustration. Sup-

pose you meet a man and it occurs to you that "He may at some future time be on the market for what I am selling, or can give me valuable information or assistance." When you meet the man again you will wish to recognize him as a prospective customer, and call him by name. You will also wish to recall him when you are endeavoring to think of prospective customers to visit.

As you talk to the man, you should notice the most prominent characteristics of his appearance so as to impress a clear and accurate likeness of him on your memory. If you are a poor visualizer, and do not readily recall in memory, or picture to yourself how things looked when you actually saw them, it will be helpful to make to yourself a brief verbal description of the features of his general appearance which you believe will enable you to recognize the man when you see him again. You may compare and associate these with similar features of other men you know. For example, he looks like Smith but is taller. With this picture or idea of the man you must firmly associate his name, by thinking of it while making your observations. Use his name frequently while talking to him.

After the interview has ended, you should strengthen the association links you have established by recalling them and thinking them over. With them you can associate the man who introduced you, the place and circumstances of your meeting, the conversation you had with him, his business and so-

cial position and relation to other men you know, etc. Some, or all, of these, or similar associations you should form. You should firmly link them to your interest in the man as indicated above. Some men record in a note book the things they thus wish to recall.

If you wish at any time to recall the man's name, or appearance, or some fact about him, you can do so only by thinking over the ideas associated directly, or indirectly, with what you wish to recall, until one of them, or the combined force of all of them, suggests it.

ASSOCIATION PROCESSES IN EDUCATION

Education is the development of innate capacities of thinking, feeling and acting. Educational development takes the form of capabilities and habits of thinking, feeling and acting in such ways as will best contribute to the harmonious satisfaction of the various interests. This will be explained more fully later on.

The developed tendencies of thinking, feeling, and acting must be organized into serviceable association systems, if they are to serve effectively in securing satisfaction for the various interests.

PROCESS OF LEARNING

We may define the process of learning as the organizing of knowledge and skill so that they will be useful.

The efficient life is the well ordered purposive life. The efficient education is the one which arranges, systemizes, or organizes, the materials of knowledge and skill in such a way that they will serve most effectively as means of attaining life's purposes. Interests and purposes are the criteria by which one measures the value of things. Things have meaning and are valued, only as they are perceived as being in the relation of means to ends. The aims and purposes of life determine the selection of the elements to be associated and what associations shall be established between them.

Inefficient doing of a thing comes largely from inefficient thinking out of the method of doing it, or from failure to think at all. Efficient doing consists of selecting the essential factors from the unessential, and in skillfully organizing and employing them as a means of attaining the end in view.

In order to become generally efficient, one should formulate an ideal of efficiency and endeavor to attain it in every line of activity.

The principles of efficient learning and thinking

are the principles which make for efficiency in all lines of business activity.

Efficient thinking aims at the attainment of some end or purpose. Thinking will be discussed more fully later on. It deals with the solution of problems or the surmounting of difficulties hindering the attainment of ends. One must first think into his experience, or learn, what he would use later on in thinking out his problems.

When one encounters a problem, whether it is practical or theoretical, he can solve it only on condition that it suggests to him by the help of previously formed associations, the means required for its solution. The man who is efficient in grappling with problematic situations in an original way can do so only as his previously formed associations suggest original means.

The process of learning should be so ordered that it will be most helpful in thinking out problems. The most important question in education is how to organize the materials of experience into the most serviceable connections with each other.

One who wishes to accumulate a rich fund of experience, from which he can draw helpful suggestions when they are needed, should cultivate a questioning attitude of mind toward the matters with which his business is concerned. When he comes upon significant things, he should put them in his sinking fund of knowledge, by firmly associating them with the interests for which they have signifi-

cance. He will then have a wide range of knowledge at his command, from which he can draw to meet the obligations of thinking, when they are encountered.

MEANING OR SIGNIFICANCE OF THINGS

The meaning or significance of a thing is the bearing it has on the satisfaction of our aims or interests. Meaning lies in the qualities of the thing which determine our behaviour toward it. Chair, as a general notion, is a symbol of a class of objects with which we may do certain desired things. We class as chairs all objects with which we may do these things. We pass judgment on a thing when we put it in a general class and attribute to it the qualities of the class. An apple has a different meaning or significance than a chair because it concerns the satisfaction of different interests. A bench has a meaning similar to a chair. But its meaning is different from that of a chair, to the extent that the bench has certain qualities which affect the satisfaction of our interests in a different way.

A thing thus has meaning only as it recalls, through association, the memory of previous experiences with the thing, or with a similar thing. Our previous experience with an apple has revealed to us that it has qaulities with which we are concerned in various ways. When an apple is perceived, the meaning attributed to it comes from the awakening of previously formed dispositions to think, and feel, and act in regard to it. A thing has significance

only to the extent that present consciousness of it is supplemented by previous experience with it, recalled through association.

LEARNING AIMS TO GRASP THE SIGNIFICANCE OF THINGS

The purpose in learning is to discover the qualities of objects and the relations existing among them which affect our behaviour toward them, so that we can take intelligent advantage of the information in gaining satisfaction for the demands of our nature. We wish to know how our various interests will be affected by the various changes which may occur among the things of our experience. Knowledge aims at grasping the qualities and correlations of the objects of our experience so that we can deal with them intelligently in our efforts to secure the satisfaction of our interests.

Learning is a process of adjusting one's self to a new factor of experience, by the light of present and past experience, so that the factor will be properly appraised when it is again encountered in experience, or is considered as an element of future experience; and so, also, that the factor can be recalled when the needs of future experience so require.

The process of recognizing the signficant qualities and inter-relations of the various objects of experience is a process of judgment and inference.

MOST EFFICIENT METHOD OF LEARNING

To apply the most efficient method of learning, one should first find out the general nature and significance of the thing he is undertaking to learn. He should make a preliminary survey to see what interest is concerned with it, and the way it concerns the interest.

The next step is to get an adequate understanding of what is to be learned. The endeavor should be to get a clear, definite, and complete impression of all the parts of the thing in the order or arrangement in which they are presented.

In the third stage of learning, one should aim to select the more significant features, or qualities and characteristics, and to discern their relationships. Effort should be concentrated mainly on the proper understanding and arrangement of the more significant points. Less important matters should receive less attention.

In the last stage one should see that the general meaning, purpose, or bearing, of what is being learned is clearly in mind. He should review the associations fixed upon as most important, and see that they are properly organized and correlated with each other, in view of the general purpose.

By attentive and thoughtful repetition, the meaningful associations should then be firmly associated

with each other, and with the general purpose, in the order in which it will be most advantageous to recall them. A written outline will often give valuable help to learning.

Learning should be undertaken as a process of organizing the materials of knowledge in such a way that they will be most serviceable in attaining the purposes one endeavors to realize. Associations of resemblance or contrast, or contiguity, or class and member of the class, cause and effect, etc., will have ultimate value only as they supply means for realizing the ends which our trains of thought are endeavoring to reach. Hence, we see the importance of keeping aims and purposes in mind while forming the associations.

If one is to gain the greatest profit from the reading he does, he should apply the right method of learning. He should endeavor to grasp and condense or summarize the significant points of what he reads. He should fix upon the general topics to serve as cues of recall. He should make similar summaries of the subordinate points to be recalled under each general topic. While establishing meaningful associations among minor topics, he should at the same time, keep the general topic, under which they come, in mind, and link them firmly to it by similar associations.

He should clearly perceive the relations of the general topics as parts of an organic whole, and firmly fix in memory the perceived relations.

Learning should always be a process of working over and reconstructing in terms of one's own thought processes. In this there should be a wise selection and emphasis of what is significant for the realization of one's purposes.

The reader should be able to reproduce in his own words the definitions, generalizations, deductions, and other thought connections occurring in what is read. He should be able to make a systematic recapitulation, or summary, of what has been read. Taking brief notes will often prove of great practical help in mastering what is read, so that one can reproduce, in logical continuity, its salient features when one needs to recall them in his thinking.

When one is endeavoring to learn so as to reproduce verbatim, he should endeavor in like manner to grasp and organize the features which give the thing significance. He can thus greatly lessen the effort required in memorizing and increase the practical value of what is learned.

The great disadvantage of learning by means of arbitrary mnemonic devices, such as are employed in many advertised systems of memory culture, results from the fact that one does not grasp the meaning of the material so learned. Hence, the material is not available as a means of attaining the purposes which determine the trend of our activites. Bonds of association that are not meaningful are generally of little practical value.

It is generally more advantageous to undertake to

learn as a whole than in parts. But if the amount to be learned is so large that it seems expedient to break it up into parts, each part should be attacked according to the method outlined above. The various parts should be finally joined and organized as a whole and firmly associated with each other. In order to link a following part with a preceding part, by means of a cue of recall with which it has been associated, the general bearing and cue of recall of the following part should be held in mind while the preceding part is being reviewed and firmly associated with the following part. This cue should be one from which the various points of the following part can be developed readily in the proper order.

As the last stage of learning, one should practice recall in reviewing the whole until it can be reproduced readily. Weak associations should be strengthened. The practice in recall should be carried considerably beyond a point at which the whole can first be correctly reproduced. While practicing reproduction, the speed of recall can be gradually increased. What has thus been learned should be carefully reviewed on succeeding days, until it can be reproduced correctly and without hesitation. One should improve the earliest possible opportunity to make the first recall of what he endeavors to learn.

If learning is to be carried on most effectively, the attention must be intensely concentrated on the thing to be learned. Such application is very tiring.

One should not continue his attempt at learning until the element of fatigue paralyzes his effort.

After an attempt at learning, one should let his mind rest for a few minutes before undertaking something else. During this time the associations are becoming fixed. Their formation would be interfered with if other things were actively taken up. A brief rest will prevent such interference, or retroactive inhibition, as it is called.

INTEREST AND ATTENTION

Every one knows, in a general way, what is meant by interest and attention. At times one attends closely to an event he is witnessing, or to a conversation or speech he is hearing, or to a proposition which is being presented to him. At other times his attention wanders. He accounts for his inattention by saying he is not interested in the thing. It gives or promises no pleasure. It does not concern his fortune or welfare. One is likely to be inattentive to what a person says, if his personality repels, or his approach is not tactful.

Inattention to a thing that becomes an element of consciousness results from the fact that the attention is given to some other thing which arouses more interest. Absent-mindedness is a state in which one's attention is so completely concentrated on developing one line of thought that he does not notice other things which otherwise might arouse interest.

We may get a clearer notion of the nature of interest, from which attention results, and its relation to objects, by considering concrete examples. Ordinarily one is not interested in a time table. Even if he notices it, he at once turns his attention to some other object. But if one is going to take a journey, he may become intensely interested in a time table as a means of learning the trains that will take him

to his destination most conveniently. One's interest in the time table is satisfied, and his attention to it ends, when he has gained the desired information. His aim, or purpose, has been realized and his interest has been satisfied.

Perhaps the reader has previously had no interest in psychology, but has been led to believe that he can learn something from it which will enable him to improve his efficiency as a salesman. If he finds that an understanding of psychology will enable him to solve the problems of salesmanship more satisfactorily, he will become interested in psychology.

Objects not interesting in themselves will become so by bringing them into a significant relation to that which is already interesting. Show a man that the object you wish to sell him is the best means of realizing some aim or purpose he is interested in gaining and he will become interested in the object and will desire it.

At first one may be interested in accumulating money as a means of securing satisfaction for other interests. As one labors to accumlate wealth, his interest may be transferred from the things the wealth will secure and, through association, may become attached to and centered wholly on the accumulation of money as a means of securing satisfaction, as the traditional miser is attracted to and hoards his gold.

VOLUNTARY AND SPONTANEOUS ATTENTION

It is helpful to distinguish between voluntary and spontaneous attention.

Voluntary attention is attention directed to an object by an act of will, influenced by some motive other than interest in the thing attended to. A prospective customer may give this sort of willed attention to an article because of a request made by the salesman. Perhaps the salesman has assured him that the article will be a satisfactory means to the realization of some purpose in which he is interested. For example, the salesman may claim that the article will save expense and prevent losses. If the customer finds in the article nothing to warrant the salesman's assertion, he does not become interested in it and his attention soon wanders from it.

If the selling talk and demonstration of the salesman lead the man solicited to discover in the article a promise of bringing about the saving claimed for it, he will become interested in it and his attention will remain fixed upon it for some time. To hold the attention when it is once secured, the salesman must continue to develop interesting points, and thus lead the customer to discover in the object a growing promise of making the desired saving. This spontaneous, or nonvoluntary attention, held by the developing interest in the object, is what the salesman must secure, if he is to be successful.

Expectation of securing satisfaction arouses vol-

untary attention. Progressive satisfaction of the expectation leads to spontaneous attention.

That is attended to which seems to concern the satisfaction of the aims, purposes, interests, or instincts which at the time are more or less clearly in consciousness. Passive attention of an instinctive sort is given to intense, moving, pleasant, and unpleasant stimuli, to those which arouse curiosity and those which have a rhythmic character, etc. The various instincts and interests and their part in influencing conduct will be discussed later.

We give spontaneous attention to a thing we are conscious of being immediately concerned with. Such a thing takes on the aspect of being interesting in and of itself. It requires no effort to attend to such things.

Voluntary attention is given to a thing which is not in itself immediately interesting, but on the ground that it may concern, or is believed to concern, the future satisfaction of some interest. Such attention is very fatiguing. The ability to give attention of this sort, which is sustained for any considerable length of time, can be developed only by a rigorous course of training.

The power of giving sustained voluntary attention is the ability which enables one to direct his efforts persistently and unswervingly toward the attainment of some aim or ideal. The end to be gained is the motive which gives the trend to conscious activities.

Things thus attended to through voluntary attention tend to become immediately interesting. The interest is transferred to them through association. Henceforth they may arouse spontaneous attention.

Tasks which were at first uninteresting or positively disagreeable, may thus become interesting. The business man will finally come to turn with pleasure to tasks which originally aroused a feeling of repugnance. A knowledge of this fact may do much to encourage one to put forth the initial efforts required to perform certain unpleasant tasks connected with new work he is undertaking.

The idea of taking up a new task arouses a feeling of repugnance. The first efforts are put forth with reluctance. Persistence in the efforts tends gradually to overcome the antagonism felt for the task. The work done grows accordingly in efficiency. One should accustom himself to taking up new tasks that seem uninteresting with the consciousness that the worst will come first, and will soon be over. It is like a cold plunge. The first contact with the water is painful, but the final result is stimulating.

There is a rhythmic rise and fall in the effectiveness of attentive effort. As the power of attention wanes, the task may come to seem irksome. There is a tendency to yield to distracting influences. Under such circumstances, if one can hold himself resolutely to the task, he will find his efficiency again increasing with the rising wave of attention.

In order to accomplish things worth while, one

must be able to put forth a persistent effort to attain a remote end. He must have the ability to resist the distracting influences which tend to lure him aside. Such ability can come only through the formation of habit, as was previously explained.

FOCUS AND MARGIN OF ATTENTION

The focus of attention is the spot light on the stage of consciousness. When an idea is in the clear central light of consciousness it is said to be in the focus. Surrounding this center of clear perception are ideas of which we are but dimly and vaguely aware, if we are at all aware, that they are in consciousness. These are known as marginal ideas.

The reader can make clear to himself the distinction between the focus and margin, by practicing introspection. He will find that, as he reads, the focus is filled with what he is reading. There are, no doubt, ideas in the margin of his consciousness at the same time, which he can become conscious of, if he pauses to notice them. He may find among these ideas the ticking of a clock, the sound of people walking or talking in the house, the noises of the street, etc.

Ideas not attended to do not get into the clear center of consciousness, but remain obscurely in the margin, and soon drop out of mind.

The mind is focused on the idea to which it attends. Such an idea becomes clearer and remains longer in consciousness. Close attention to an idea makes it more likely to be remembered. By attending to an idea we bring it about that the ideas associated with it will come next into mind.

One can not give concentrated and effective attention to more than one thing at a time. However, one can get along fairly well in doing some task which he has made habitual or familiar through practice, and which as a result requires but little attentive effort, while, at the same time, his attention is focused on some unfamiliar, or difficult task which requires delicate adjustments to meet new conditions.

One can attend to an end to be gained and at the same time compare, criticise, choose, or use, means fitted to gain the end. But in any case when one attempts to attend to things which are not parts of one general process, or are not closely related to each other, the attention will alternate between them. Neither can get the effective attention which either alone would receive. Divided or distracted attention results in weak feeling, feeble impulses to action, and indecisive action.

EXPECTANT ATTENTION

Some of a magician's success comes from baffling the eye of the spectator. A greater part of it comes from diverting the attention from significant or essential things, and centering it, by suggestion, on features which do not reveal the true explanation.

The magician also creates a state of expectant attention. By carefully planned and skillfully employed suggestions, he works the spectator up into a sympathetic state of mind. He leads the onlooker

to expect vividly that the result he proposes to attain will be secured by the means, or process, he pretends to use. Criticism has been forestalled by predisposing to belief that the result will come in the way and form specified by the wonder worker. This belief fills the mind of the onlooker so fully that he sees what he strongly believes he will see.

A preconception of the intellectual sort will warp observation and judgment. A practiced reader does not readily see misprints. He overlooks them easily, even when looking for them. One standing on a crowded street looking for a friend to come along, may believe he sees him many times before he really appears. He may mistake for his familiar friend, men who are very unlike him.

Expectant attention often leads one to misjudge the real qualities of objects presented for his consideration. One sees what he expects to see. If one approaches a proposition in a skeptical frame of mind, he finds things which arouse suspicion and exaggerates their importance. If one is confident that everything will turn out all right, he is less critical. We prejudge the article favorably. Our mind is colored by the satisfaction we expect to receive. In this state of mind we are likely to overlook weak points, and see only the good ones. Good will as a business asset is largely a predisposition to look for satisfaction.

A strong desire, mingling with a strong feeling of confidence, often leads one to act without giving due

consideration to factors indicating the wisdom of another line of action. The fraudulent advertisement, or selling proposition, creates and takes advantage of such an uncritical state of mind. Attention is centered on some strong claim, or alluring promise. Desire is aroused. The mind is filled with a foretaste of the satisfaction which will result, if the attractive promise is made good. The person is made to believe that he is in danger of losing the golden opportunity, if he does not act at once. In such a state of mind, the weak features of the proposition do not receive proper consideration.

ATTENTION DETERMINES THE DIRECTION OF THINKING, FEELING, AND ACTING

Attention is the controlling factor in consciousness. The line followed by attention determines the course of thought and action. Several ideas may be in the margin of consciousness at the same time. They may be presented through the senses or revived by association. Only the one among these ideas to which attention is directed will get into the clear center of consciousness. The ideas which do not receive attention soon drop out of mind. The idea on which attention is directed remains longer in consciousness than it otherwise would. It becomes more clearly perceived, and becomes the dominant factor in determining the trend of association. Various ideas, associated with the one the attention is thus focused upon, may come more or less clearly

into consciousness, but the one of these which the attention selects will in turn become dominant in the train of thought.

In selecting the ideas which will come into mind, the attention controls the feelings which pervade consciousness, and the choices it makes, or the acts of will it performs. In more technical language, the attention, in exercising its selective function, controls the direction of thinking, feeling, and volitional acting.

The above applies to conscious processes in which association alone is depended upon to supply the ideas which come into mind. The conditions are modified somewhat when the salesman is presenting arguments and making suggestions to action. The arguments and suggestions displace ideas which would naturally come through association alone. But the arguments and suggestions have influence in controlling conscious processes and behaviour, only as they are selected by the attention.

ACTS OF WILL, OR IDEO-MOTOR ACTIVITY

One performs, as a matter of course, any act upon the doing of which he focuses his attention, unless he is prevented from doing it by some idea opposed to doing it, which is at the same time present in consciousness. Such a preventing idea is known in psychology as an inhibiting idea, and the prevention is known as inhibition.

The reader can readily find illustration of the motor tendency of ideas. Let him recall a recent trip to a store. Suppose he vividly imagines himself going to a store to make a purchase. If he tries to picture to himself in detail the actions involved, he feels himself actually beginning to perform the motions required to open the door, examine the article, etc. He will feel tendencies to activity in his vocal organs as he imagines himself speaking to the clerk.

The idea of performing an action tends to work itself out into action, that is, it is also an impulse to action. The ideas of purchasing which a salesman puts into a customer's mind are impulses to make the purchase.

Let us consider an example of an impulsive act which is fully performed. If one sees a child about to walk in front of a rapidly approaching car, he will reach out to pull him back. The act will be performed impulsively without stopping to think about

it. The thing seen arouses a strong feeling and suggests an act felt to be demanded by the situation. The impulse to perform the act fills consciousness so that all ideas of acting otherwise are excluded. In such a case the act is performed without other act of will, or volitional fiat.

The following illustrates how an inhibiting idea prevents an impulse from passing over into action. If one saw a child fall into deep water, he would feel a strong impulse to jump in to rescue him. If he could not swim, the situation would suggest to him the uselessness of carrying out the impulse. The idea of the uselessness of the act would doubtless prevent him from performing it. Such a preventing idea is technically known as an inhibiting idea. An objection which prevents a customer from closing is such an inhibiting idea.

ACTS OF WILL INVOLVING DELIBERATION

When two or more different lines of action are open to us, we may find it difficult to choose between them. Suppose it is a question whether I shall accept employment with another firm, or remain with the one for which I am now working. Each position has certain advantages and disadvantages. To bring these clearly into view, I endeavor to estimate fully the consequences which will follow upon each line of choice. Among them would be the prospects for permanent employment, increase of earnings, promotion, etc. The advantages of accepting the new position are compared with the advantages of

the present employment. Finally, I come to the conclusion that one position offers, on the whole, more desirable prospects than the other. I turn my attention from the less attractive alternative and fix it on the more desirable one. In so doing the decision, or act of choice, is made. I accept the position which I have come to regard as the better.

Deliberation between alternatives is necessary for deliberate action. But carried too far, it paralyzes effort. The active, energetic, practically successful type of man is one who makes sure that all the essential facts bearing on the situation have been given due consideration. He then cuts loose from all but one line of action accepted as the most desirable. He concentrates all his energies on carrying out the chosen course.

THINKING

The line of development which mental processes follow is determined by a more or less explicit aim, or purpose, which the person desires and strives to realize. Thinking takes place when one becomes conscious of a not immediately realizable end he desires to attain. The thinking takes the form of casting about for ways and means of attaining the desired end.

When one encounters an obstacle to the attainment of a purpose, a state of stress or effort is aroused in his mind. The anticipated attainment of the desired end arouses a feeling of satisfaction and striving toward the end. The less satisfactory present state, contrasting with the desired one, arouses a feeling of aversion, or striving away from it. In a consciousness of obstructed attainment of purpose, a state of mingling desire and aversion is thus found. A feeling of hostility to the obstacle is also experienced. This stimulates the effort to get around the obstacle, or overcome it, or even to destroy it. One has reached a thought crisis which demands clear and effective thinking, rather than blind yielding to any one of the various impulsive feeling aspects of desire, as the state as a whole is generally called.

Any activity is said to be interesting, or to arouse a feeling of satisfaction, when it awakens within us

the feeling that we are accomplishing something worth while; whether the "something" is very clearly defined or not. A feeling of interest is aroused by the consciousness of making progress toward the attainment of a desired end. The feeling of interest is a warming up to the activity, and at the same time a propensity to continue the activity which promises to satisfy the interest. The feelings of aversion and hostility lose in strength as the feeling that one is "getting warm" and the foretaste of the anticipated satisfaction grow stronger.

The desired end may be near or remote in the order of events. When the end is remote, it may be necessary, in order to attain it, to formulate many nearer ends which are subsidiary to it. The remote end then serves as a guide, or norm, in formulating the nearer ends, and in correlating and co-ordinating the efforts to attain them.

The efficient worker devotes his efforts continuously and persistently to the things and aims which he believes will play an important part in the attainment of his larger purposes. Efficiency requires that the non-essentials be eliminated. It demands that our aims or purposes be appraised according to the contribution to well-being that may be secured by attaining them. The efficient person cultivates a knowledge of, and desire for, the things worth while. He works to attain the things which give the richer and more enduring forms of satisfaction.*

*See discussion of "Well-Being or Self-Realization."

Thinking always has a purpose or end in view. This purpose is to secure satisfaction for an instinct or interest. The origin and nature of the various interests, and the different lines of activity in which they seek satisfaction will be discussed later. The end which is held in view in thinking is felt to be desired. The end which it is desired to attain through the thinking processes is to bring about such an ordering of conscious experiences as will best satisfy the awakened interest or felt need.

Thinking occurs only when one becomes aware of an obstruction or hindrance to securing the satisfaction of the interest or need. There is the consciousness that one faces a problematic situation which must be solved before a desired end can be gained.

The problematic situation may consist essentially of the awareness that the end is not clearly enough comprehended and formulated and correlated with other ends to permit one to work definitely and efficiently toward its attainment. For example the problems of promoting welfare work among employees are largely of this character. Efforts along this line are often largely ineffective, because the one putting them forth does not clearly and adequately apprehend what definite ends must be attained in order that the welfare may be promoted satisfactorily. The ideal in doing welfare work should be to promote the harmonious satisfaction of the various interests of the employee involved in a fully developed personality. Success in the work

will involve seeing to it that the employee has such incentive, wisdom, means, and opportunity as will enable him to secure such satisfaction.

If the purpose of the thinking is to overcome the difficulties in the way of accomplishing a definite mechanical result, or of performing some act such as selling an article, the problem may consist in selecting appropriate means and in employing them skillfully in the attainment of the clearly formulated purpose.

The first step in effective thinking and acting is to formulate and find answers to definite and pertinent questions. What is the end, or purpose, or aim, or goal, I wish to reach? What is the character of the obstacles that have obstructed the flow of my activities? Will this, that, or the other suggested answer be of assistance in solving the perplexity?

When one has clearly perceived his problem, the next step is to make a careful analytic search for the elements which have a significant bearing on the solution. The criterion for the selection and rejection of materials available, is their fitness for use as a means for attaining the desired end. The features of the materials which make them fit for this use are the qualities which give them significance for the end in view. The next step is the selection and arrangement of the significant features in such a way that they will contribute to the realizing of the end in view.

In the process of thinking, the interest or purpose dominant in consciousness at the time, through the

form of activity known as attention or volition, exercises a selective control over the stream of thought. The interest exercises this selective control by determining on which of the various ideas coming into the margin of consciousness the spotlight of attention shall be focused. When this control is being effectively exercised, only such ideas are received into the clear center of attention as are believed to be relevant in some way to the end which the thinking is endeavoring to gain. It becomes interesting for this reason.

The interesting idea which is received into the focus of consciousness is more vividly perceived and remains longer in mind than the marginal ideas which are merely accorded a passing glance. The interesting aspect thus held in the clear center of consciousness becomes dominant in determining the ideas which will next come into mind through association.

As the ideas recalled through association appear above the threshold of consciousness they are noticed. If they appear to have no bearing on the business of the moment, they are given no further recognition. They remain withering in the dim margin for a brief moment, as they drop out of the mind.

If the idea occurring seems to have a bearing on the desired solution, the attention is fixed upon it. It is critically examined and fitted into its proper place in the thought system which is being con-

structed. If the solution is not readily reached, an attempt is made to hold all apparently relevant ideas in the background of consciousness. In this way there is built up a fringe, or constellation, of ideas mutually helpful in suggestive force, in the hope that one, or all of them, will finally suggest the solution the judgment approves.

When an interest or purpose thus controls the processes of thinking, it lapses into the background of consciousness. The attention is directed to the ideas that appear in the foreground, discriminating, measuring, and accepting or rejecting them. But the purpose must not be allowed to lapse entirely out of mind or thought will be deflected from its guidance.

The purpose of controlling the development of conscious processes, remains in the background, but its influence pervades and gives coherence to the flow of thoughts, feelings, and strivings. Figuratively speaking, it is the commanding officer viewing, and appraising, and ordering the whole field of conscious activities. Though it occupies a position on the field of action it is aloof from the various activities and vicissitudes of the actual contestants. The associative and logical thought processes are employed merely to serve the purposive processes of feeling and striving, just as the soldiers and the equipment of the army are used as a means of accomplishing the aim of the general.

In active thinking, as has been said, one has a

definite aim, or purpose, or problem in mind. He is searching for a means of gaining the end or solving the problem. Success in overcoming the difficulty encountered depends absolutely on the ideas which come to the mind through association. Success will depend upon the care and skill previously exercised in organizing knowledge into association systems.

Efficient thinking and doing must be founded on and spring from efficient learning. The process of learning efficiently was previously explained. Such learning consists in organizing the materials of knowledge into such forms of associative systems as will contribute most satisfactorily to the use of the materials in gaining satisfaction for the interests concerned with them. In such learning, the interest to be served by the organization must be kept alive in the margin of consciousness and must be firmly associated with the organized elements with which it is concerned, by concentrating attentive effort on firmly establishing the association.

The truly efficient man is the one who can see problems where others are unaware of them. He has cultivated a questioning and critical attitude of mind toward the affairs with which his activites are concerned. He is able to bring a well organized intelligence to the solution of the problems he thus discovers. Such a man has real initiative and brings about improvement and progress. Efficiency in business involves first, the adequate formulation of the ends to be striven for. One must then locate

the obstacles in the way of attaining the ends. He must clearly perceive, and select, and skillfully employ the best means available for overcoming the difficulties and gaining the end.

In order to think and act adequately about a situation or proposition, he must have developed keen powers of discernment which enable him to select focus of attention. Right thinking and acting require that elements not relevant be disregarded, and that relevant matters be kept in mind until the means or way to the end is found. If one has previously fitted himself to handle the situation and keeps his attention concentrated on significant qualities or points, he will find coming into mind, through association, ideas which will guide him to a wise course of action.

One can have fertility and resourcefulness in thinking, only as he has previously established an extensive system of associations organized in accordance with their significant features. Fortunate is he who can see the significance of things, and can recall them when their significance will make them useful! The thinking of one whose knowledge is so organized will be significant rather than superficial. He will not be led off into inconsiderate action by the first plausible suggestion which occurs to him. He will be freely supplied with suggestions along alternative lines, which will lead him to carefully examine and appraise the superficially plausible suggestion.

When the suggestions do not come through the

associations previously established, one should undertake a systematic search for them. This search may take the form of carefully planned experiments or investigations of some sort. Or one may seek help in the experience of others through conversation or reading.

The solution of the problematic situation may thus demand that one acquire new learning. To avoid the uncertainty and tremendous loss involved in learning mainly by the method of blind trial and error, one should give an intelligent and searching investigation to the factors which may have significance for the solution of the problem. The number of failures in thinking and acting can thus be greatly reduced, but not entirely eliminated. The wider and more intelligently organized the past experience has been, the more effectively can be brought to bear on finding a way to overcome the difficulties of a novel situation.

TEST OF TRUTH

The more clearly one has centered his attention on methods of procedure, and has discriminated them from their context, and associated them with the general conditions under which they can be applied, the more effectively he will be able to bring the previously learned methods to bear in dealing with a novel situation.

Novel problems must be solved in terms of previous experiences, by combining or using the elements of such experience in new ways. One must search either his own experience or the experience of others for factors bearing on the solution of his problem. It is a difficult task to select the few significant factors in the problematic situation from the the significant aspects and hold them clearly in the many irrelevant features which are manifested along with them. When these are found it is still more difficult to form the right hypothesis, or theory, of dealing with them, than it is to determine whether we are on the right track to the solution, after the hypothesis has been formed. The only method of procedure is to critically examine the various possible solutions suggested. The most promising of these solutions should be selected as an hypothesis. By study and trial, or experimentation, one must endeavor to ascertain whether the tentatively accepted

hypothesis offers the best way out of the difficulty. The test as to whether the true solution has been reached is whether it will guide us satisfactorily in dealing with the elements of experience so that we can attain our purpose. If we find that it works satisfactorily we accept it. If not, we reject it.

Whether a suggested solution, or tentative hypothesis, is correct can be determined only by testing it in subsequent experience. However, one can often arrive at a high degree of probability by carefully thinking out the consequences that can be foreseen as likely to follow such an attempt at verification in experience. In imagination, one can anticipate the results of experience. If the situation does not involve too novel elements, he can reach a reasonable certainty that his forecast of consequences is essentially correct. This is the process of verification; whether we are searching for general notions which will enable us to deal with presented materials, or whether we are searching for a particular means of attaining a general end. One by imaginatively testing his solutions in experience can form a conclusion that they are probably true. He should not make the mistake of regarding them as certainly true, until they have been actually tried out in experience.

JUDGMENT AND REASONING.

When one discriminates the various thought relations among the elements of experience he is said to pass judgment upon them. So also when a choice is made and a decision is reached after deliberating over the consequences of following different lines of action, the act is known as a judgment.

The function of judgment, as an element in the process of thinking, or reasoning, is to notice the significant relations existing among the objects of thought. Among the significant relations are resemblances and differences, the relation, of means to end, individual to class, cause and effect, the estimation of merit or value, and the discrimination of various other relations between ideas.

One passes judgment on a thing when he decides that it's value is equal to or greater than that of some other thing, or when he decides that he can use it to bring about an effect he desires to produce, or concludes that a certain effect has resulted from a cause of such and such a character, etc.

The salesman's task is largely to induce the man he solicits to pass judgment that the article offered is the best available means of securing some end which he desires to attain. He will then desire the thing as a means of attaining the desired end. In bringing this about the salesman has produced a

state of conviction or belief in the customer's mind.

Reasoning involves a series, or chain, of judgments. There are two forms of reasoning, known as induction and deduction. One is reasoning inductively when he derives general principles or conclusions from observed facts. If the salesman can show that this, that, and the other business man belonging to a certain class has found it profitable to use in his business the article offered for sale, he arrives inductively to the general principle, or conception, that the article will be found profitable by all men of that class.

The salesman can apply deductively the general principle thus established inductively. He does so if he convinces the men he is soliciting that the circumstances, conditions, and methods of his business will rightly bring him under the general class of profitable users. If the customer is convinced of this, he will conclude that what has proved profitable to others similarly situated will also be profitable to him. His belief is founded on his acceptance of the truthfulness and validity of the evidence on which the general principle of profitableness was established, and the conviction that the circumstances in which he finds himself, will rightly put him in the class of profitable users.

It may be well for a salesman to understand the method of procedure in deductive and inductive thinking, but he will hardly find it profitable to apply them in the formal way above illustrated. However,

the salesman should understand that what is known as creating desire is generally merely showing that the object is an important member of a class of objects habitually regarded as desirable.

Our satisfied customers are our best advertisement, is a statement which aims by suggestion to cause the hearer, or reader, to make the inference and draw the same conclusion, which was reached above by following formal logical processes more closely. Such a suggestive statement is usually more effective than cold logic in influencing to action.

Such a suggestion may be backed up by a few reasons why. Even when such is the case, the one who is influenced by it is not moved by formal logical processes to make a fully reasoned choice. He is rather moved by suggestion to perform an act of rational imitation. This subject is developed more fully in discussing suggestion and imitation in the "Psychology for Business Efficiency" and the "Psychology of Advertising."

It must be remembered that thoughts originate, or grow, only from one's own experience, past and present. One is skillful in judging, as his past experience has been rich and varied, and skillfully organized and assimilated. One, so prepared, can readily select the right idea and apply it accurately in solving the problems at hand.

The genius is one who clearly perceives the significant aspects and relations of things and links them together, and to the related parts of his experience,

by helpful associations. The expert has reflected on experience, has studied and classified actual and hypothetical cases, and has formed useful association systems. He thus has many fully formed conclusions and principles of action stored away in his memory. As soon as the essential facts of a new proposition are clearly established, he at once recognizes it as belonging to a class with which he is already familiar. Without apparent consideration, or deliberation, the expert, thus prepared, can immediately and confidently give a decision on matters of the utmost importance. He has previously gone through the processes of investigation and deliberation. He sees his way clearly at once, and is ready to act confidently in accordance with his judgment. A selling appeal addressed to an expert should take a different form from one addressed to an inexperienced buyer.

BELIEF AND ACTION

Deliberation results normally in conviction, belief, and action. If I am convinced, or believe, that it will rain, I shall carry an umbrella; unless, taking everything into consideration, I am convinced, or believe that getting wet will involve less inconvenience than carrying the umbrella. In either case the belief determines the action.

I am always ready to act along the line which I believe will contribute most to the realization of the purpose which at the time seems to me most im-

portant. Because it seems most important, my attention is fixed upon it, or rather it holds my attention.

Deliberation and reasoning aim to eliminate rivalry and conflict among impulses to action. Deliberation is brought to a close when order and harmony are established among the impulses to action. When a decision has thus been reached, one refuses to attend to suggestions arousing impulses to act along an opposing line.

In attending to the acts appropriate to the conviction or belief established, he sets the switches for their performance. At last, when all preparations are made, and the judgment declares that the time and circumstances are ripe for the believed in action, and that the line is open, then the act is performed as a matter of course.

PART III

FACTORS WHICH DETERMINE THINKING, FEELING, AND ACTING

INSTINCTS OR PREDISPOSITIONS

Some parts of the following discussion of interests may seem very difficult to one who has not studied psychology. The relative importance of the subject is fully as great as its difficulty. This fact should stimulate the reader to put forth the effort necessary to grasp it. It goes to the core of the motives which influence action. The mastery of this part of the subject should helpfully illuminate the work of the salesman. It is of fundamental significance in the widely prevalent effort to rightly motivate education, vocation, and other activities of life.

"The Classification of Interests", and most that follows it, will be easier. The application of psychological principles in the practice of salesmanship will become clearer if one has a thorough understanding of the interests and the part they play in determining the actions of men. The significance of the harder parts of the book will be better understood on a second reading. If the psychology of salesmanship were easy, many books would have been written on the subject long before this.

Men are moved to action by impulses which have their roots in instincts. These instincts originated in very remote evolutionary processes because of their usefulness in promoting the welfare of the individual, or of the community to which he belonged, and in perpetuating the race. The social reformer, the politician, the teacher, the preacher, the advocate, or the salesman can influence men only by appealing to emotions, sentiments or interests developed from these instincts.

The salesman who attempts to awaken interest and desire will be greatly assisted by understanding the origin, nature and significance of these mental processes and the part they play in influencing the actions of men. One who has this knowledge will be better able to arouse interest and desire for his proposition and to take advantage of their impelling force.

An eminent authority has defined an instinct as an inherited, or innate, mental and physical predisposition to experience an impulse to attend to certain things, to feel desire or aversion for them, and to act in a predetermined way in regard to them. An instinct is complicated, purposive behaviour which has not been acquired or learned through educational processes.

From the physiological point of view a predisposition is a complex constellation of nervous paths. These paths may be fully pre-formed or partially pre-formed. That is, they may exist in a fully de-

veloped form previous to experience, or they may be only partially pre-developed and hence require experience to perfect them.

On the psychological side a predisposition is a capacity and tendency to feel interest in and strive for. Physical predispositions may be fully pre-developed or partially pre-developed.

On the psychical side the predispositions have various qualities, attributes, or characteristics which distinguish the various processes of being interested. In their developed form they take on the differentiations which are distinguished in and predicated of the conscious processes. The qualities or characteristics observed in objects awaken certain correlated mental processes of feeling, interest, and striving which have distinguishable qualities or characteristics.

When one becomes aware of the object which is the stimulus to which a certain form of instinctive behaviour is the appropriate response, he feels a strong impulse and desire to perform the instinctive act. When one first performs the instinctive act he is probably not aware of the purpose which his behaviour serves to attain. Even if he has a certain sort of vague, innate fore-knowledge of the general end to be gained, it is evident that the awareness of the purpose does not determine the form of the behaviour. There is no deliberate effort to determine what to do, or why to do it, or what is the best form of behaviour under the circumstances. When such

factors enter into the performance, the act is not a perfectly developed instinct. It results rather from more or less definite instinctive tendencies and capabilities.

The instinctive endowment of man consists largely of general tendencies and capabilities. Even such perfectly developed instincts as he has, cease to be blind as one grows in experience. With the growth of experience, the real purpose of the instinctive act comes into view and determines the choice of means to attain it. The original instinctive behaviour, or reaction to stimulus, is greatly modified. Such modification is often necessary to adapt the act properly to the circumstances in which the individual finds himself. This is true largely because the conditions of human life have changed greatly from those of the remote evolutionary period in which the instinct originated.

Authorities vary greatly in the number of instincts they enumerate. As was said before, some of the innate tendencies and capabilities of human beings are not manifested in the form of perfectly developed instincts. They require development through education and experience. However, most authorities will agree in the broad view that man, as the result of the inherited structure and tendencies to development in his psychical and physical organism, is predisposed to do a much larger number of things than are the lower animals.

ENUMERATION OF INSTINCTS

Taking the broad view, the following are among the more important instinctive capabilities or tendencies:

Appetite for certain foods and disgust for others, anger, hate, affection, rivalry, emulation, jealousy, shyness, fear, teasing, self-assertion, modesty, sexual love, parenthood, desire for approbation, sympathy, imitation, play and recreation, fighting, nomadism, agriculture (making things grow), hunting, constructiveness, secretiveness, inquisitiveness (curiosity (or desire to know), acquisitiveness, the predatory instinct, artistic interest, respect for others, gregariousness, co-operation with others, loyalty to group interest, subordination to superiors, morality, and religion, or self-subjection to the Divine Will.

The following are brief illustrations of the sort of behaviour to which some of these instincts lead. The setting hen feels that she simply must set, even if the nest is empty. Whether a brood of chickens will result from her setting evidently does not influence her act. The instincts in a human being can not long remain as "blind" as this. However, the boy may unquestionably follow an impulse to collect articles of no real value. So one sex is attracted to the other, and so the man may feel an overwhelming impulse to go fishing, or hunting.

The innate predispositions play an important part in ordering the affairs of life. One instinctively fears whatever threatens to prevent the attainment of a desire.

The consciousness of being alone in the dark or in a vast wilderness may arouse an instinctive fear, which is none the less genuine, though one recognizes that there is nothing to harm him. We hate a person who maliciously hinders the attainment of our purpose. Emulation impels an individual to rival the achievements of a superior. Rivalry, developed to excess, grows into envy, jealousy, anger, and hate. We are jealous of persons whom we regard as our rivals. We envy them their success. Acquisitiveness leads to competition and rivalry. It leads to envy, when the thing desired belongs to another. One is envious of a person when he covets his goods, and may become jealous of him as a successful rival for the goods.

Secretiveness impels one to conceal his business from others. Its instinctive character is shown by the fact that it often influences one when there is no real reason for concealment. Curiosity, or inquisitiveness, is interest in knowing. In business, curiosity, or interest in knowing about a thing, should be clearly distinguished from acquisitiveness, or interest in securing it. Curiosity may be made to lead to acquisitiveness, if proper advantage is taken of it. Combativeness may be dangerously strengthened by an extreme militaristic policy, or dangerously weakened by a peace at any price attitude.

Sympathy is the general instinctive tendency to experience an emotion perceived to be manifested in others. One responds as instinctively to the observed expression of an emotion, as he does to the object which is fitted to arouse the emotion, and for similar reasons. The instinctive imitation of the expression of the emotional state makes one aware of the nature of the state, by arousing a corresponding emotion in him. This emotion aroused through imitation is accompanied by an impulse to carry it out into appropriate behaviour. The person who experiences and responds to an emotion through instinctive imitation may be totally unaware of the stimulus which aroused the instinctive response in the person imitated. This has been a source of advantage as when the instinctive response has, for example, enabled one to escape a danger of which he was unaware. It may also lead to destructive panics and other detrimental acts. Through this instinct the enthusiasm and confidence of the salesman arouse similar feelings in his customer.

One instinctively reacts to the expression of an emotion which he has inspired in another. The suggestive force of one's own expression is reflected back to him and adds strength to his already strong feeling. As each one of a crowd is thus influencing and in turn being influenced by others, the emotions may be worked up to a very intense form. The sympathetic, reciprocating, cumulative spread of an emotion through imitation accounts for the fact that the

emotion a person experiences when witnessing a play as one of a large crowd is much greater than he would experience as the only spectator. The expression of pleasure or displeasure by the various members of an audience tend mutually to heighten each other. More will be said on this subject later.

Instincts do not appear until the necessary nervous connections have developed through bodily growth. No two children manifest exactly similar instincts. They vary in number, in relative strength, and in time and order of manifestation. All the instincts will appear sooner or later in a normal person, if a suitable stimulus is experienced when the nervous system has reached a proper stage of development.

In a general way, the human instincts have tended to adjust the individual to the necessary conditions of his existence. They enable him, independently of education, to make his environment contribute in some measure to the satisfaction of his needs.

In man the instinctive preadjustment has never attained to the perfection which it has reached in the lower animals. In the animals the instincts are ready made capabilities to perform certain acts. They are, compartively speaking, modified or improved but little by education. In man the instincts are largely tendencies and capacities which must be developed into capabilities and habits through education.

INSTINCTS REQUIRE EDUCATIONAL DIRECTION

It is not safe for the individual to follow blindly the guidance of his native impulses. Pugnacity may be taken as an illustration. The fighting spirit, as developed in some militaristic circles, is harmful to the interests of society as a whole. Yet there is no doubt that a refined and tempered form of the fighting spirit is essential to the attainment of great achievements.

An instinct may develop into a good or bad habit, or die out from lack of exercise. It may be so strong as to lead readily to over development. Or it may be weak and require strong stimulation and much exercise.

As a result of stimulation and exercise the instincts are correlated and developed into habits. In their developed forms they manifest themselves as interests and temperamental traits of character.

An instinctive tendency may fail to develop into an element of character, because of the lack of an appropriate stimulus, or of an opportunity to perform the act: or the failure to develop may result from the fact that one yields so fully to some one instinct that he neglects to exercise others. Or the instinct may be forcibly repressed. While a merely neglected instinct may die out, one that is forcibly

repressed may merely become dormant and manifest itself in some foolish or perverted act later in life.

It is the business of the educational agencies, among which the parents occupy a very important position, to see that proper stimuli and opportunities for exercise are furnished to each instinct when it ripens. In this way the instinct may be developed into an interest or trait of character useful to the individual.

The instincts are often in rivalry with each other. The educator must see that they are properly harmonized. He must also see that the person is furnished with knowledge and incentive to guide his development along the lines of his real needs.

The mental constitution of an individual has taken its form through the development in the evolutionary experienec of ancestors. This constitution includes the rather specific instincts we have mentioned. It also includes more general innate capacities and powers which are more variable in their manifestations in individuals than the more specific instincts.

Among such qualities we may mention, as examples, the capacity for more than ordinary achievement in science, business, mathematics, politics, painting, music, etc. The possession of such capacities apparently does not result entirely from the inheritance of a practically perfect nervous organization. They appear to be, in large part, innate

mental tendencies, qualities, and capacities. The inborn capacities must be developed into capabilities through education. The born salesman needs education to fully develop his ability. This inherited mental constitution determines largely the trend of the development of the nervous organization acquired during the life of the individual. An instinct acquired during remote evolutionary experience is a trace of that experience persisting in the mental and physical constitution of the individual. This innate trace of remote racial experience is comparable to a memory of such experience. Through these traces the lessons of past experience indelibly impressed on the mental and physical constitution of the individual are operative in guiding him through present experience.

In the instinctive striving there may be, previous to actual experience, some faint perception of the end at which the impulse aims. In the fear instinct this preperception may take the form of a very imperfectly defined "Danger—there! This way to escape!" In carrying out an instinct, the stimulating object is regarded as a thing with which one is greatly concerned. There is certainly present also the feeling that something worth while is being gained by the behaviour.

The awareness of why the act is worth while could arise only through the awakening of innate knowledge along with the innate feeling and impulse.

The traces of previous experience preserved in

the mental constitution and manifested as instincts work through more or less perfectly preformed pathways of neural discharge. The less perfectly or less completely these pathways are organized, the more important is the function performed by the traces of past experience existing in consciousness, and the more necessary it is to develop intelligence to guide in the response to the stimulus.

MODIFICATION OF INSTINCTS

Instinctive behaviour may be analyzed into the following important elements: The perception of an object which serves as the stimulus; the emotion and impulse aroused by the stimulus; the form of behaviour which results as the response to the stimulus.

One may learn to improve the instinctive response to a stimulus. He may learn to discriminate the circumstances under which he should make the response, from those under which he should not make it. He may, through experience, associate with the object which first called forth the response, another feeling and impulse which will lead to a different response. "The burnt child dreads the fire." One may learn to respond instinctively to objects which at first failed to arouse such a response.

An instinct may be modified by associating with the object and the feeling it arouses another form of response. The response to the feeling and the impulse aroused by the stimulus is shunted off into another line of action. In this way one may be led

to make the conventional rather than the primitive response to the stimulus. Actions are thus made to conform to the forms of conduct prescribed by society. The sex instincts, for example, require such modification.

Instincts may be modified by refining, sublimating, generalizing, and co-ordinating them. The gregarious, co-operating, and fighting instincts and those of emulation, play, etc., are thus modified by properly conducted sports. One who fights for victory according to the rules of the game is likely to become one who fights the battles of business and political life in accordance with the principles which should govern conduct in those spheres.

WILL TO LIVE

In the earliest form of conscious life there was probably simply a vague consciousness of impulsive-process-going-on and of satisfaction-accompany-the-going-on. It was the will to live seeking and finding satisfaction in the conscious-impulsive-satisfying-activity which constituted the process of living.

The general will to gain satisfaction through carrying out impulse has come, through the process of evolution, to manifest itself along many different lines. The various instinctive predispositions serve to guide impulsive activities into the lines along which they most profitably seek for satisfaction. They are differentiations of the original capability of experiencing impulse and of feeling satisfaction in carrying it out. As such they must be dominated and correlated by the general will so that they will work together harmoniously, each contributing duly to the satisfaction of all.

INSTINCT OF SELF-REALIZATION

We have found that we can trace one all inclusive, all pervasive instinct manifesting itself in the various special instincts. We may call this the instinct of self-realization. It is essentially a process of seeking satisfaction through carrying out impulse.

In one aspect, the instincts are processes of react-

ing to the environment. The form of the reaction is determined by a correlation existing between certain objects of consciousness and certain qualities in the physical and mental constitution of the individual. In another aspect, since the behaviour resulting from the stimulus is determined by the psychical and physical constitution, this behaviour may be regarded as a form of self expression.

The instincts are predispositions to act in such ways as will best promote one's well-being, or self-realization. The instinct of self-realization works blindly at first, groping its way by mere impulse. As man's experience widens and as his intelligence increases, the character of this predominating instinct becomes more clearly revealed. It develops into an ideal of well-being. The ideal is that of a form of well-being to be attained by developing all one's capacities into capabilities of securing satisfaction and of exercising these capabilities, each with due regard to the other, and of safeguarding them.

Some of the instincts aim largely at making one's material environment subservient to the progressive approximation to the ideal of well-being or self-realization. Among them are constructiveness and acquisitiveness.

Other instincts, such as play, curiosity, and especially imitation, have for their purpose the improvement of well-being through giving a better mastery of the objects of both the material and social environments so that they may be employed more efficiently as means of securing satisfaction.

Some of the instincts concerned with the social environment are egoistic or seek for the well-being of one's self. Some are altruistic and seek for the well-being of others. Some are antisocial, others are pro-soical.

Among the egoistic or self seeking instincts are pugnacity, fear, self assertion, rivalry, shyness, secretiveness.

Teasing and the predatory instinct are antisocial.

The altruistic instincts are general pro-social. That is, they aim at promoting the well-being of others. Such are parenthood, sympathy, modesty, sexual love, respect for others, co-operation, gregariousness, loyalty, and subordination to superiors.

No man can come into being or develop his capacities apart from others. Born into collective life man's well-being must be brought about through co-operation with others, in collective life. The will to live in its various lines of instinctive development clearly aims at self-realization in the give and receive of association with others. The state of well-being aimed at is a state of social well-being in which each will profit in proportion to his service to others, and only as he renders such service. The supreme good is a common good, to be attained in a community, the members of which are mutually dependent and mutually helpful. One just as naturally feels regard for the collective welfare, as for his individual welfare.

The striving for self-realization is a striving for

such a condition of collective well-being as we have just explained. The ideal of self-realization has been formulated through co-operative experience and co-operative reflection on experience. It is an end not fully attainable, but to which we can always approach more closely.

Man is a social being with broadly diversified interests and concerns, as well as a marvelous machine for performing work. His well-being can be promoted only by providing opportunities and stimuli leading to the satisfaction of his various lines of interest. This fact should be kept in mind in planning welfare work.

MORAL INTEREST

The instinct of self-realization has developed into the interest of self-realization, which is known as the moral interest. This moral interest is an interest in well-being, or in well-doing, as being is in this sense a process of doing. In a condition of well-being, or well-doing, all of one's interests, both egoistic and altruistic, would be developed in proportion to his true needs. All of these interests would be satisfied with due regard to the well-being of the organic individual whole, of which they are characteristics. It is a condition in which one gains a harmonious satisfaction for interests which have been developed in proportion to needs.

Moral acts are acts which concern the social well-being. Acts which affect the efficiency of any individual member of society, affect the well-being of the

society of which he is a member. Society must see that its various members keep themselves in a condition to render efficient service, just as a person must see to it that his various organs are working properly. Hence society lays down rules to which the behaviour of the individual must conform.

The moral judgment is the judgment of society, which has followed and handed down, in tradition and custom the best judgments of the moral leaders of the past. This judgment voices the collective racial experience as to acts which tend to hinder or promote the individual and social well-being.

By our instinctive endowment we are sensitive to the praise and blame, or approval and disapproval of our fellows and conform largely to their will. Those who do not so conform are penalized in various ways. Through suggestion and imitation we accept the maxims and traditions in which are formulated the racial experience as to what is good or bad.

One gets his ideal of conduct as a suggestion from others. When he comes to see that this ideal aims at the true co-ordination of collective and individual welfare, he may strive to promote this welfare, regardless of the collective approval, or disapproval, of his acts.

The sentiments and impulses, which give force to the moral ideal in controlling conduct, have developed under educational influences from various altruistic and egoistic, instinctive tendencies. The moral ideal may thus be conceived as developing

from impulses and capacities which have their origin in the Eternal Consciousness or Divine Spirit which is manifested in us.

The Universal Will to Live manifests itself in all living things. Its impulsive force becomes manifested along the lines of the various instinctive tendencies. In our conscious experiences we become aware of these native impulses and capacities. As experience develops, intelligence furnishes guidance in efforts to seek satisfaction for them. But the form into which the moral personality develops is determined mainly by social agencies.

The instinctive predispositions have been developed in the course of evolution as a means of promoting well-being. They are tendencies to feel and act in a certain way in regard to things which concern well-being. When one becomes aware of this concern with a thing, he experiences a desire and an impulse to strive for it, or an aversion and an impulse to strive away from it, according to whether it concerns his well-being favorably or unfavorably. The person is said to have an interest in the things which thus concern well-being.

The things which concern well-being similarly are arranged in a general class. General lines of concern come to be recognized. Around each line of concern, of which one becomes conscious, is organized a system of tendencies to feel and act. The habits of responding to such classes of objects with co-ordinated tendencies to feel and act, are known as

interests. When an interest has been formed, as soon as an object is recognized as belonging to the general class, it arouses the desire and impulse characteristic of interest.

The individual is said to be adapted to his environment by his instinctive tendencies. However, these tendencies seem rather to be the agencies by which the environment is made to promote the satisfaction of the individual. The instincts act as guides before experience has been sufficiently developed to deal with things which concern well-being by furthering or hindering it. They guide one to the satisfaction of certain needs not yet felt to be such. Where the instincts are lacking in perfection or definiteness, consciousness steps in and undertakes to do what preformed structure has left undone, in the way of making the environment subservient to human interests.

Man grows gradually into a consciousness, or realization, that certain classes of things concern his well-being in certain ways. The ends toward which the instincts impel one come to be formulated as aims or purposes to be desired. The line which the development of the individual actually follows is a resultant, or mean, of two component factors. The two factors determining development are instinctive endowment and educational influence.

When the conscious realization of concern is awakened, it takes the form known as interest. Conscious processes are interesting when some ca-

pacity of the self is finding satisfaction in the activities. Man is impelled to action through a conception of himself as satisfied as the result of action. The foretaste of satisfaction, which arises from representing or picturing one's self as having gained the object, or attained the interesting or desired end, arouses the impulse to the action and leads to such a rearrangement of conditions as will bring about the anticipated satisfaction.

TWO MEANINGS OF INTEREST

The word interest is used in two different senses which should be distinguished from each other. In the wider meaning of the term, one is interested in all that concerns his need or welfare, though he may not be conscious of the concern. In this sense one may ignorantly do a thing contrary to his interest, if he is unaware of the effect the act will have on his well-being.

In the psychological sense, an interest is a conscious realization that a general class of things concerns one's need or well-being. The feeling of interest varies with the importance attributed to the thing as a means of affecting the well-being favorably or unfavorably.

The consciousness of favorable concern arouses a feeling of pleasure, a foretaste of the satisfaction to be attained, and a striving or impulse to attain it. This complex state is known as a desire.

The consciousness of unfavorable concern arouses

a feeling of pain, a foretaste of dissatisfaction, and an impulse of aversion, or a striving away from.

CLASSIFICATION OF INTERESTS

The experience of the race in working out the due co-ordination and satisfaction of the various interests has found that they may be dealt with most conveniently, in theory and in practice, when they are grouped in a few important classes.

In the fully developed consciousness, an interest as a motive impelling to action, will be found to have two aspects. In one aspect it is an interest in a special line of activity. In another aspect the special line of interest is a manifestation of the general interest in self realization which includes all other interests.

The all pervading and all inclusive interest in self realization or well-being, manifests itself in the moral interest. The moral interest is the interest in correlating and co-ordinating the special lines of interest. The special lines of interest include politico-legal, philanthropy, sociability, health, knowledge and educational skill, wealth, beauty, vocation, family and home and recreation.

The interests are the ends which the instincts serve, brought into clear consciousness, and developed into habitual lines of desiring and striving.

MORALITY—THE MAJOR INTEREST

The interest in general well-being, or in properly

co-ordinated satisfaction along the various lines of interest, is known as the moral interest. The feelings of interest which attach themselves to matters which concern general well-being, or self-realization, are known as feelings of oughtness, or obligation.

The feelings of rightness and wrongness attach themselves to acts which tend to further or hinder general well-being. These feelings are manifested at first as blind instinctive impulses. They predispose one to do the right act and not to do the wrong one.

Through educational development, which is guided by social influences, the feelings of obligation, or oughtness, tend to lose their blind instinctive character. As experience develops, one gains the ability to appraise the tendency of the acts to hinder or further general well-being. Wrong acts are seen to be acts which have bad results. Right acts are those which bring good results. However, the obligation feelings to which judgments of rightness and wrongness give rise, still retain their instinctively imperative character.

Goodness means fitness to promote well-being. A thing is good only as it is good for something. It is good only when it is adapted to serve as a means of attaining a good purpose. Goodness can be estimated only in relation to the end to be served. Good and bad things are things which have a favorable or unfavorable bearing on well-being.

The enlightened conscience aims at a progressively realized state of well-being, to be brought about through a happy adjustment, or co-ordination, and satisfaction of the egoistic interests, which have regard for self, and of the altruistic interests, which have regard for others. It aims to harmonize the various interests of the individual and the interests of society so as to achieve a higher and richer life for all. Conscience aims to bring the interests of the individual into harmony with the great social will, and with the Universal Will of which it is a manifestation.

Moral principles arise from the recognition that acts concern both individual and social well-being. They are general principles to which acts must conform in order to promote this well-being. They are rules for playing the game of life. The moral virtues are habits of acting in accordance with moral principles.

The principles to which acts should conform, in order that they may be regarded as moral, include, among others, honesty, truthfulness, fidelity, loyalty, justice, mercy, courage, industry, thrift, frugality, temperance, chastity, modesty. They are the principles by which impulses to action along the line of the various interests should be appraised, to see whether they should be held in check or strengthened.

PHILANTHROPY INTEREST

From the various predispositions to perform actions which promote the well-being of others has developed the interest in philanthropy. This interest has its roots in gregariousness, the parental instinct, the tender emotion, affection, sympathy, cooperation, loyalty to group interests, filial devotion, respect for others, self-subjection, religion, etc. It is the interest in rendering social service for which no service, or means of securing service, is to be received in exchange. This distinguishes it from business, which is the rendering of service for a consideration.

Many confuse philanthropy with the moral interest. However, philanthropy is merely one among several lines of well-doing with which the moral interest is concerned. The philanthropy interest must be co-ordinated and correlated with the sociability, health, education, wealth, beauty, recreation, vocation, family and home, and politico-legal interests, in accordance with moral principles. One is under obligation to develop and exercise his own capabilities along all these lines. He is also under obligation to provide, through exercise of his philanthropy interest, that others have opportunity and incentive to develop their interests along the same lines. The moral interest is coextensive with life interests.

POLITICO-LEGAL INTEREST

The politico-legal interest aims to render service to the individual and to society through organized co-operative effort. The political organization is the machinery employed for rendering this service. Through legislation the legal interest aims to enact the laws which will establish the form of organization which will be most efficient in promoting individual and collective well-being through co-operative effort.

The legal interest also aims to make laws which record the consensus of moral judgment, to establish judicial machinery to apply this judgment to concrete cases, and to provide for executives to enforce the judicial decisions.

FAMILY AND HOME INTEREST

The family interest aims at promoting the various interests of those for whom conjugal, or parental, or filial affection exists. The members of the family are interested in the home as a means of satisfying a great variety of interests.

Service to the home and family is the vocation of a large majority of women. It also makes large demands on women who have other vocations, and on all normal men.

The home interest embraces all the activities which aim at the well-being of the members of the home and all the things with which these activities

are concerned. The home and family interest is concerned with things pertaining to domestic economy and domestic art. Among them are wholesome and appetizing food, architecture, heating, ventilating, and lighting, domestic art, decorations, furnishing, sewing and various forms of household activities which it is hardly necessary to mention. The home interest embraces all the home activities which aim at the well-being of the members of the home, and all the things with which the attainment of this well-being is concerned.

SOCIABILITY INTEREST

This interest impels one to strive to secure personal recognition along social, civic, political, business, and other lines. It gives rise to the ambition to be esteemed and reckoned with by one's fellows. Whatever gives one advantage in competition with others, or in influencing and leading others, or makes him looked up to, admired, or considered by others, appeals to this interest and will be desired when the social advantage to be gained by means of it is made clear.

For example, a new fashion is taken up as a means of securing social recognition, or prestige. What makes one appear well dressed is desired as a means of securing recognition from his business associates. See the discussion of "Fashion" in the "Psychology for Business Efficiency". Posting the names and records of the men who do the most ef-

fective work in a factory may stimulate others to do much better work in order to secure such recognition. This appeals to the instincts of emulation, rivalry, and self-assertion, which are elements of this interest.

HEALTH INTEREST

The health interest attaches itself to anything which prevents or cures disease, or prevents accident. It is concerned with wholesome food, water, light, ventilation, dwelling place, conditions of labor, physical culture, and athletics.

EDUCATION INTEREST

The educational interest is concerned with whatever increases knowledge, or wisdom, or makes for efficiency in economic, social, or political activities, or enlightens one as to a better means of self-realization along the line of any recognized interest. It makes for culture as its ideal. Culture is knowledge, appreciation, and utilization of the things which give enduring satisfaction.

ÆSTHETIC INTEREST

This is generally known as the interest in beauty. It is concerned with such things as the theater, literature, music, painting, sculpture, architecture, landscape gardening, beautifying the person, the home, and its furnishings, and surroundings, and with the beauty of natural objects, etc.

WEALTH INTEREST

The wealth interest aims at mastery of the material environment. Whatever increases ability to earn money, or save money, or reduces expenses, appeals to this interest.

It is a superficial and false ideal which makes the pursuit of wealth the supreme end in life. The attainment of wealth is not a true criterion of success. The amount of wealth attained is only one among several elements which must be taken into consideration in estimating business success. Riches acquired without adequate beneficial service rendered to others, in return for the wealth secured, is exploitation. It departs from the principle of the square deal, and is bad business.

The attainment of business success is only one element involved in attaining broad human success. The attainment of wealth is desirable mainly as a means of securing satisfaction along other lines of self-realization.

Two motives contribute largely to the effective performance of the economic activities of business. One motive is to meet the demands for service to the well-being of others, which the business aims to satisfy. This is the vocational interest. The other motive is to provide the means of satisfying not only the economic interests of the worker, but also his æsthetic, educational, sociability, health and recreation interests as well. The economic, or wealth,

interest is only one of several belonging to the same general class. These interests are manifested in many sub-varieties and combinations. The moral interest aims to so co-ordinate their various activities that all will receive a degree of satisfaction such as will make them contribute duly and harmoniously to collective well-being.

VOCATION INTEREST

In one aspect, the vocation interest is an interest in rendering to others service which will promote their well-being. The vocation interest aims also to make the rendering of service to others, a means of securing the things which will promote one's own well-being. The two motives working together aim at a mutually advantageous exchange of services, or of means of securing service.

Every one may rightly demand the satisfaction of his own interest in well-being, provided he renders an equivalent service in promoting the well-being of others.

Most people are under the necessity of making a living, in order that they may be able to meet their obligations to enrich the well-being of themselves and others. Vocational activities are directed along certain specific lines largely as a result of the fact that efforts to satisfy the needs must be correlated and concentrated along rather narrow lines, in order that they may become efficient and deserve and receive reward.

Work which is taken up merely because it affords an opportunity to make a living may lack qualities which are very essential to the satisfaction of the vocational interest. In order to gain due satisfaction for the vocational interest, one should specialize his efforts along some line in which he feels he is rendering value received to others in return for the compensation he receives for his work. Vocation should be chosen along lines of fitness to serve, not merely along the lines in which it is possible that the greatest financial returns may be secured for serving. The feeling that the activities are worth while helps make them interesting. The satisfaction which comes from doing worth-while things is one of the greatest rewards that service can gain.

Vocation means a calling to render service to others along the line for which one's abilities best fit him. The choice of a vocation is the selection and devotion of one's self to activities one feels called upon to perform. To be truly vocational, the activities should be interesting. The achievement of their end should bring satisfaction. An occupation which meets the demands of one's nature, and in which one's aptitudes and abilities fit him to be successful in rendering service to others, is the greatest source of lasting happiness.

Work which really meets the demands of the vocational interest may at first be neutral in feeling or even distasteful. Yet if the occupation, as a whole, is really felt to be worth while, much of the

work will take on an acquired interest. It is more than likely that work, which as a whole satisfies the requirements of the vocational interest, will always be found to involve distasteful, or painful activities.

When one has chosen his vocation, he should say to himself: "This is my job. It is up to me to do it, or to be done for. I will do it."

Practical necessity usually compels one to confine his vocational activities to a rather narrow line. His vocation can not afford satisfaction along all the lines of his interests. It must be regarded as the means of securing that which can be used to secure satisfaction along avocational lines.

One's vocational activities do not completely fulfill his obligations to render service to others. Part of one's serious efforts at self-realization must be devoted to rendering service to others, for which the only compensation is the satisfaction resulting from the consciousness of the service rendered. One must render a vocational service to others, as individuals, and as members of family, political, civic, and other social groups.

To successfully perform serious work of the more important sort, intense voluntary concentration must be maintained for a considerable period of time. Such work involves dealing with theoretical or practical problems which must be solved in order to promote well-being. The problem may be concerned with adapting or employing external means to satisfy a felt need. Or, the problem may be of the in-

tellectual sort which aims at satisfying the felt need for orderliness and consistency in our knowledge.

Being thwarted in the solution of a problem gives displeasure and adds to the fatigue of the work. A satisfactory solution of a problem, or the consciousness of progress toward a solution, gives pleasure. Such pleasure plays a wholesome part in the economy of life.

Even when work is rich in the amount of such pleasure it gives, it finally becomes fatiguing and demands periods for recuperation and recreation. The fatigue and the need for means of recuperation are much greater in lines of work which are largely routine and disagreeable in character.

WORK AND THE NEED FOR RECREATION

Work that is full of interest and pleasure finally becomes fatiguing and demands periods for recreation. Life grows wearisome as it follows the daily grind of routine in shop, or store, or home, even if the occupation, on the whole, is congenial. Such work may grow repulsive, if persisted in too long without interruption.

The dull rounds of some forms of monotonous toil become deadening in their humdrum influence. One may become so desperate as to be ready to resort even to crime to break the monotony, if no other means is available. Even if sufficient leisure is provided for rest and sleep, they alone are not sufficient to restore the exhausted energies of one employed

in the more deadening occupations. Such a person can not come back to work with a wholesome feeling, unless some form of recreation is provided.

One employed regularly at a congenial occupation will have many interests not sufficiently exercised in his ordinary work. He will become conscious of the need of satisfying these interests.

The brain cells corresponding to various developed interests should be stimulated, to use up the accumulated energy. In this way alone can the capacity for supplying energy be kept in efficient working. Atrophy, or wasting away of capacity, follows disuse.

A disagreeable emotional tone arises from developed interests which are denied wholesome stimulation and satisfaction. A similar feeling results from interests so stimulated that an undue amount of energy is used up. Such an unpleasant emotion spreads a disagreeable feeling over vocational or avocational activities, which would otherwise have an agreeable tone. When work is monotonous or disagreable, the unpleasant feeling, arising from the understimulated or overstimulated interests, may add to the dislike for it to such an extent as to make it practically unbearable.

RECREATION INTEREST

The recreation interest plays a very important part in the activities of a well ordered life. This interest demands that vocational and avocational work

must not be allowed to fill all one's time. One must have time to engage in the satisfaction of other interests. One must also have opportunity, and proper stimulus and incentive, to insure the exercise of otherwise neglected interests.

Recreation may be satisfactory in character, though it does not fully exercise all one's interests outside his regular line of work. Practical considerations generally make it necessary for one to seek his recreation along rather narrow lines of interest. The instinctive impulses leading to recreational activities thus become systematized by habit along special lines, such as the theatre, music, art, literature, travel, games, sports, dancing, social functions, study, forms of manual work, etc.

Recreational activities should appeal to existing interests not sufficiently stimulated in ordinary work. They should have the character of novelty and contrast, when compared with regular vocational and avocational work. They should arouse adequate but not excessive activity. They should give rise to a pleasurable feeling which tends to persist as a permanent emotional tone. Recreation should also provide for bodily exercise of a sort and kind necessary to keep the various organs of the body in good working condition.

The agreeable emotional tone aroused by activities which meet these requirements will displace the disagreeable feelings resulting from the deadening routine of work, or from fatigue, or lack of proper ex-

ercise and satisfaction of developed interests. This pleasurable feeling pervades the conscious processes involved in ordinary work, and adds to the efficiency of the efforts.

Proper recreational activities facilitate the gaining of energy during the periods of rest, and create conditions favorable to the performance of the various physiological activities which make one efficient. To be classed properly as recreational, activities must re-create, or create again, one's powers of body and mind.

Exercising interests involved in regular work, along different but more pleasurable lines, may be recreative in character, if the demands on the interests have not already been too great. The professional baseball player may find recreation in playing golf. One whose work is routine and not too fatiguing may seek recreation in matters involving close concentration of the attention and sustained mental effort, and vice versa.

The instinctive demand for recreation is one of nature's provisions for keeping alive and developing, through exercise, capacities which would otherwise die. It is also a provision for renewing the waning powers of mind and body, and keeping one's working efficiency up to the standard.

The gregarious instinct is a strong impelling force in choosing the forms of recreation. It leads one to seek his recreation in the company of others. The sympathetic instinct also leads one to seek to share

the emotions of others and to share his emotions with them.

The play instinct plays an important part in the development and form of recreational activities. It, and many other subjects, taken up briefly, in this book, are discussed more fully in the author's "Psychology for Business Efficiency."

The recreation interest may be concerned with satisfying any one, or several, of the other interests previously mentioned. The end to be gained in doing a thing as a means of satisfying the recreation interest is different from the end sought in exercising the interest as part of the regular work of life. Yet one who understands the true nature and function of recreation, can often find, or make, much of his daily work recreative in character.

Almost any line of activity may be undertaken as a means of securing recreation. Many things are sold almost solely for recreational purposes.

One who is selling an automobile, for example, as a means of recreation will have to talk along quite a different line from one who is selling an auto truck as a means of satisfying the wealth interest. The recreational interest aims at novelty, contrast through change of scene or form of activity, restoration of mental and physical energy used up by serious work, and the displacement of a disagreeable or neutral, or less pleasurable state of feeling by a pleasurable emotional state; all of which tends to bring about a well-founded assurance of mental and

physical fitness. The seller of an automobile may also, of course, appeal effectively to the sociability and other interests.

The things with which the recreation interest are concerned are innumerable. They include the theater, music, literature, lines of study, art, games, travel, hunting, fishing, social activities, constructiveness applied in various manual occupations, agriculture, athletic sports, swimming, boating, etc.

CORRELATION AND CO-ORDINATION OF INTERESTS

Every one has philanthropy, politico-legal, sociability, health, education, wealth, beauty, vocation, recreation and family and home interests. He also has a moral interest which impels him to strive for self-realization along the lines of all these interests. He is under obligation to have due regard for the other interests while seeking satisfaction for any particular interest.

As a matter of fact, as a result of deficiency in natural endowment or of imperfect educational development, one may not strive for the satisfaction of his various interests in such a way that each will contribute its part, harmoniously with the others, to the promotion of his general well-being.

One may not have shown due regard for his interests in choosing and pursuing his vocation. He may be held by deeply ingrained habit to seek excessive satisfaction for certain interests. In such a case, certain interests will have been neglected so that they have not developed properly, or so that they have died out from lack of exercise.

Health may be knowingly disregarded in the struggle for wealth or pleasure. Or one may struggle according to his light, but he may not have been fully awakened (or may have gone to sleep) to the

importance of the realization of his interest in certain lines. One may be alive to the importance of physical well-being, yet he may not clearly realize the importance of a certain factor as a means of impairing or improving physical efficiency.

Success in attaining satisfaction for one's vocational interest in a business, professional, scientific, artistic, political, or other career can be secured only through a long-continued concentrated process of thinking and striving.

The aim in the background of consciousness holds one continuously to a definite line of effort. The satisfaction resulting from the partial successes achieved, and the foretaste of a fuller satisfaction to be obtained from the still greater successes one believes he can achieve, spur one on to greater and more concentrated effort. One sets his eye on the end to be reached and struggles on, stimulated rather than daunted by obstacles, unrelentingly toward his goal.

The business one builds up in this way becomes flesh of one's flesh and blood of his blood. It grows to be another part of himself. Such an one is always in danger of becoming intolerant of interest in everything that does not pertain to his business. He is hypnotized by concentrating his attention on the fascinating lure of a great vocational success.

One is justified in making his vocation a major interest in life. But he is ever in danger that his vision will be so short in range and narrow in scope

that he will wake up some day to the fact that he has been merely making the means for securing a living. He may come to realize, when it is too late, that he has lost for all time the greater opportunity of making a life rich in the nobler, more significant, more abiding elements of joyous satisfaction.

He has become hardened, narrowed, and unsympathetic. He has failed to gain the satisfaction to be derived from disinterestedly serving the well-being of others, from the unselfish friendship, from broad interest in learning, in literature, art, health, and life-giving recreation.

The supreme interest in life is the interest in symmetrical, harmonious, many-sided development, known as self-realization. One should be ever on his guard against exalting into a position of supreme, if not sole importance, one of the interests which should really be subsidiary to the interest in being a fully developed person. In the strenuous drive for great achievement, interests of vital importance are likely to become stunted or atrophied because they have no chance to develop through exercise. Eternal vigilance and effort, alone, will enable one to avoid sacrificing the richer, nobler self on the altar of a narrow success.

While many fail in this way, many more fail because they weakly follow the course of least resistance. They take a spineless, purposeless attitude toward life. They need to feel the spur of great ambition.

This discussion must have made it clear that there is a very complex correlation between the interests as they habitually manifest themselves as desire in the ordinary individual.

INTEREST, DESIRE, VALUE, AND PRICE

Interests are habits of attending, thinking, feeling, desire, or aversion and striving away from or striving toward certain classes of objects.

A desire is both a painful sense of **something** lacking and a pleasurable foretaste of the satisfaction to be derived from securing the thing which will supply the lack. The foretaste of satisfaction is usually the more prominent or focal element in the desire. In this case the painful element will be found occupying a more or less prominent place in the margin. However, the painful element may be in the focus and the pleasure to be gained in the margin of consciousness. Each heightens the other by way of contrast. Both together give strength to the desire.

The desires have normal strength, and the values attributed to the things are normal values, when they are proportional to the various services the desired things will render in promoting well-being, or harmonious self-realization, in which all the lines of interest are satisfied in due proportion. Desires are normal when they are proportional to the intrinsic value of things. By intrinsic value we mean value in promoting general well-being. Desires and valuations are subnormal if they fall short when measured by this standard. They are inflated to the

extent that they are in excess when measured by that standard. Inflated value and desire, and subnormal value and desire, are abnormal. Desire and valuation are perverted when the desire is attached to, and value is attributed to, a thing which does not contribute to well-being. Intrinsic value results from the possession of qualities which fit a thing to serve as a means of contributing to normal satisfaction of interests. By normal satisfaction is meant satisfaction, the value of which is appraised by applying the norm of self-realization.

Commercial valuation, or determining the price one can afford to pay for a thing, is arrived at by determining the balance of gain or loss in well-being which will result from the expenditure, or amount of the service, or its equivalent means of securing satisfaction, which is required to be given in exchange for the service in promoting well-being which will be gained by securing the desired thing.

The intrinsic value of a thing can not be made the basis for determining the price which may rightly or fairly be asked for it. A man of great wealth might conceivably be placed in circumstances such that a drink of water, or a supply of fresh air, or something to eat, would be of more value to him than all his wealth. In such a case, one who supplied the water, air, or food would not be justified in requiring all the man's wealth in exchange for it, if supplying it involved very slight sacrifice on his part. One who supplies a need is entitled to payment, not

in proportion to the extent of the need, but in proportion to the services which must be rendered in order that the need may be supplied.

The price asked should not be in proportion to the value of the serviceable thing offered for sale. It should rather be estimated on a basis of securing a fair return for all that is contributed by the services rendered in making the serviceable thing available. Such contributions may be made in preparing the raw material and in the industrial processes of manufacturing it, in furnishing capital to carry on the industry, and ability to organize and manage it; or in transporting or selling the raw material or finished product. All who render service in any of these lines are entitled to a fair compensation. Price should be based on the cost of producing and marketing, and should allow a fair margin of profit to all rendering services in these lines. All parties to the exchange should profit by the transaction. Price not based fairly on the service rendered in producing and marketing has been inflated through control, or reduced through competition.

It is extortion, exploitation, or perversion, and is essentially fraudulent if, through monopolistic combination, or other acts in restraint of trade, or through misrepresentation, or overpersuasion in selling, one exacts an unearned increment of profit. Any unnecessary inflation of prices, or any disproportionate stimulation of interest, or any perversion

of interest, is bad business, and hence is bad salesmanship.

Governments grant to inventors a monopoly lasting for a few years, in order to reward them for the benefits they have conferred on society in making the invention and to stimulate the production of inventions.

Continual success in business depends primarily on maintaining the good will created, through lowering the cost of production and price and increasing the serviceability as much as the highest efficiency and fair returns for services rendered will permit.

The salesman should set forth clearly the normal value of the thing. It is his duty also to see that the price secured is not based on the serviceability of the thing, but that it is fairly proportionate to services rendered in making the serviceable thing available. A sale is dishonestly made when the price received is knowingly greater than the normal serviceability of the thing sold. When salesmanship secures a price in excess of normal serviceability, it is guilty of exploitation. When salesmanship secures a price which does not properly pay for services rendered in producing and marketing, it is guilty of inefficiency.

TRUTH, THE IDEAL OF SELLING

Truth, as the ideal of the Associated Advertising Clubs of the World, requires on the one hand a truthful and adequate setting forth of serviceability in promoting well-being. On the other hand, conformity to the ideal of truth demands that the price asked must be fairly proportioned to the services contributed in producing and marketing. This is the ideal to which all salesmanship should strive to realize.

"Caveat emptor," let the buyer take care, can no longer control in modern marketing. Good will is based fundamentally on honest and efficient service. The continued prosperity of a business depends on good will.

Producers and consumers, as a whole, are mutually dependent on each other. Good business has regard to the well-being of both parties to every business transaction. Benefits and the rendering of services must be mutually advantageous, in order that capacity to produce and capacity to consume may develop equally.

Truthfulness in salesmanship consists in setting forth adequately the article's serviceability to the person to whom it is sold. The truthful salesman will not understate, or overstate, or exaggerate this serviceability. He will not exact or take from the

customer more than a fair price for the service the article will render to him. Such truthfulness is demanded of salesmen in accordance with the moral principles which apply to all walks of life.

Truthfulness in selling is not an obligation arbitrarily imposed on a salesman. It is the only foundation on which permanent business success can be built. Efficient salesmanship must render a service which creates confidence and begets good will. It is not sufficient that the salesman honestly believes that the sale he makes will prove satisfactory. He must have such knowledge of the serviceable qualities of the thing he sells, of the general demands of business, and of the requirements of the buyer that he will be able to make satisfactory sales.

The salesman who renders the best service as a business-builder will carefully avoid making sales that do not render profitable service to the interests of the buyer. He must know the truth about the value-giving qualities of his article. Without exaggeration or distortion he must present this truth to the buyer.

The salesman, to a certain extent, relies on the confidence and good will of the buyer, on suggestion, on personality, on tactful approach, on pleasing delivery of the selling argument, on wording the selling talk in such a way that it will have great effectiveness in arousing emotional activity and volitional impulses which tend to close the sale. It is proper that the salesman avail himself of all the effective

aids to selling. Such means are employed legitimately only so far as the salesman sees to it that, in making the sale, he is profitably serving the interests of the buyer.

The salesman may properly resort to an appeal to various emotions and to suggestion to action to get the buyer to accept the estimate the salesman puts on the service the value-giving qualities will render, provided the salesman's estimate is fairly proportional to the satisfaction the buyer will derive from the purchase. It is also true that the purchase must not involve undue sacrifice of other interests.

It is the salesman's duty to get a fair return for the service rendered. Getting more in return than the service rendered is worth, is not salesmanship. The seller is working a confidence game. He is obtaining money under false pretenses.

The article will render full service to the consumer, only as he has clearly in mind the service the value-giving qualities of the article fit it to render. Even if the sale is made largely by emotional appeal or by suggestion, the salesman should see that the buyer is correctly informed about the article. The salesman should make it a point to show the buyer how to get the serviceability out of the article, even if the sale can be made with less effort than that requires.

In selling to a reseller, the salesman can often make clear the best methods of merchandizing, of financing, and of creating good will. He is entitled

to adequate return for such service. However, the return should come in the increased profits which come from the increased market for the goods.

AWAKENING LATENT NEEDS

A market is a class of people whose needs and interests make them possible consumers, and who have sufficient means to enable them to purchase when the latent desire has been sufficiently stimulated. The market may be increased by stimulating desire; or by lowering the price so that a larger number will be able to spend the amount required to secure the satisfaction for their desires.

Men are not intuitively aware of their real needs. The existence of the need must be made clear by educational means. It is necessary to undertake consciously and systematically to develop latent capacity into an active tendency to desire.

The salesman and the advertiser perform an important educational function in creating desire. The awakened desire to satisfy the need one is thus made aware of, stimulates him to develop greater efficiency in serving the needs of others in order to get the means of satisfying his own desires. The desires thus awakened by the salesman and advertiser stimulate the men in whom they are awakened to more efficient service and thus increase production in other lines.

AROUSING DESIRE

Success in selling depends on finding what interests of the consumer are concerned with the goods so that appeal may be directed to them in such a way as to arouse desire. It will depend also on wisdom in selecting the qualities of the article which give it value as a means of satisfying desire; and on skill in presenting these value-giving qualities in such a way as to create desire for the article and arouse an impulse to buy it. The tendency to buy may be strengthened indirectly by anything which strengthens the desire. It may be strengthened directly by suggestion, or command, which stimulates the impulse more strongly.

No strong desire to possess a thing can be aroused unless an appeal is made to some form in which one of the instinctive or developed interests is manifested. When an interest exists vividly in the psychological sense, that is when one is keenly conscious of the need, all that is required to arouse desire is to show that the thing is a serviceable and available means of satisfying the need.

When the interest exists merely in the broader sense in which the fact of the need is not recognized, the salesman's task is to make clear the extent to which the well-being is concerned with the thing offered for sale.

The salesman must determine whether it will be advantageous to awaken the impulse of striving away from the unsatisfactory condition of affairs, as well as the impulse of striving to gain the satisfaction to be secured by making the purchase.

When the demand already exists but the sense of something lacking is a familiar and tolerated sore, it may be necessary to dig into the tender spot and irritate it afresh, to give it potency in impelling to action. People become dulled and apathetic to old needs which they have had little hope of being able to satisfy. To arouse such a person to action one must not merely kindle the hope anew. He must reawaken keen antipathy to the evil which has come to be regarded as necessary and to be ignored. He must also awaken a foretaste of the satisfaction to be gained by securing the article. He will then have created a desire in which the impulses are both pushing and pulling one on to buy the thing.

A desire is an impulse to action as well as a feeling. The impulse is carried out into action when one sees his way clear to securing the means of satisfying the interest from which the feeling and impulse arise.

The means of satisfying a need is a want. Desire and want, and demand and supply, are similar pairs of similarly related terms.

The reader who wishes to gain more insight into the bearing on salesmanship, of processes and factors of thinking, feeling, and acting will find addi-

tional matter in the author's "Psychology for Business Efficiency." See especially the topics, "Fashion," "Leadership," "Creating Good Will in Business," etc.

The things with which the various instincts and interests are concerned will be discussed more fully in the "Psychology of Advertising." So will the various instincts and interests which may be appealed to most effectively in selling various things. See also the adapting of the selling appeal to the existing form of the interest.

SUGGESTION AND IMITATION

In the broadest meaning of the term, suggestion is the process by which a person is caused to experience an emotional state, to accept a proposition as true, or to perform an act, without giving adequately deliberate consideration to the grounds, or reasons, or evidence for or against the suggested act, feeling, or opinion thus accepted. Such a suggestion may come from the words, or expression, or acts of another person, or persons, or from material things.

Suggestion in the above sense may be known as hetero-suggestion to distinguish it from auto-suggestion. Auto-suggestion is the process by which one influences the physiological processes of his own body, or his own feelings, ideas, or volitions. Some of the applications of auto-suggestion will be made clear in the chapter entitled "Developing Character and Personality." Auto-suggestion and hetero-suggestion are both discussed more fully in the author's "Psychology for Business Efficiency."

The suggestion we are here concerned with is hetero-suggestion. The prefix "hetero" will be omitted in accordance with the general usage.

The acceptance of a suggestion is technically known as imitation. Suggestion and imitation are two aspects of the same process.

In studying suggestion, attention is directed to the characteristics or qualities which fit the stimuli to bring about the result. One also studies the processes in accordance with which the stimuli work in bringing about the result.

In studying imitation one analyzes the processes taking place in the mind of the one influenced by the suggestion. He considers the qualities or traits of character that determine the sort of imitative activity which results from the suggestion.

In order to use suggestion effectively in practical salesmanship one must understand the instincts, interests, habits and other mental processes of the customer, and must select appropriate suggestions and employ them in such a way that they will bring about the desired results.

The following discussion considers the problem of putting to practical use the suggestive-imitative process, in which the salesman employing his selling talk, solicitation, or appeal as a suggestive force, endeavors to secure the imitative response which takes the form of making the purchase.

It must be borne in mind that the term imitation is used here in the technical sense explained above. In this sense, imitative acts include all acts that are performed without giving, before their performance, adequately deliberate consideration to the reasons for or against the performance. Imitation includes all acts performed as the result of an appeal, excepting such as result from fully reasoned

choice or demonstrated truth. One might be said to be "suggestioned" into doing such acts, if our language permitted such a term. In the absence of a more appropriate term, the word "imitative" must be used in a technical sense to describe such acts.

The imitation which follows suggestion is usually not an exact copy, or replica, of the mental state or action imitated. Generally the response to the suggestion is modified or determined to some extent by the native or acquired predispositions of the one "suggestioned." Some element of self-expression usually appears in the imitation.

Imitation and suggestion have been treated more fully in "Psychology for Business Efficiency." See also the subjects "Fashion" and "Fads" in that work.

FACTORS OF SUGGESTIBILITY

When the idea of doing a thing to which one is predisposed by instinct, or interest, or habit, gets into mind so that the attention is centered upon it the actual doing of the thing tends to follow as a matter of course, unless the act is prevented, or as it is technically described, is inhibited by another idea obtruding itself on the attention.

If one is offered something to eat between meals when he is hungry, he experiences an impulse to accept it. However, if it occurs to him that eating the proffered food will spoil a good dinner coming later, or will cause indigestion, the idea of the undesirable

consequences of the act will hold in check, or inhibit, the strong impulse to eat.

The awareness of a situation which concerns the satisfaction of our instincts, or interests favorably or unfavorably, tends to bring about behaviour adapted to deal satisfactorily with the situation. Capabilities acquired innately and developed by experience come into play. The situation is handled as native and acquired aptitude have fitted us to deal with it. Responses have become largely habitual.

The feelings and emotions manifested in the behaviour of others arouse similar emotional states in those who observe this behaviour. Fear and joy and sorrow are thus aroused by suggestion. In this way the confidence, enthusiasm, and good will animating a salesman are manifested in his behaviour, and tend to arouse like states of mind in the man whom he is soliciting.

One who closely watches the acts another is performing will tend to perform similar acts. One person on the street looking up will cause many others to look up. The idea of the act tends to pass over into the performance of the act.

We are all influenced by the volitional aims manifested by those around us. The direct command and the obedience to the command is an illustration. So also the suggestion to any line of action as desired and the compliance with the suggestion. In such suggestion and compliance the instinct of self-assertion is manifested in the one

who makes the suggestion, while the instinct of self-subjection is manifested in the acceptance of or submission to the suggestion.

If the one making the suggestion is looked upon as having prestige or authority, that fact tends to bring about compliance with the suggestion. The impulse of self-subjection is aroused. A state of increased suggestibility is induced. This state is aroused by those who make an impression of having power, wealth, great physical strength, large size, social standing, expertness, etc. A similar effect is produced by a reputation for intellectual superiority, or for great skill in any line, or even by the mere fact that fine clothes are worn.

Anything giving the impression that the one making the suggestion desires to promote the well-being of the one to whom it is made, tends to secure compliance with the suggestion. Anything which gives the impression that the maker of the suggestion aims to further his own selfish ends, leads the recipient of the suggestion to resent it and to refuse to carry it out. In this case the suggestion arouses the instinct of self-assertion.

Qualities which tend to promote well-being are called positive. Qualities which hinder well-being are called negative. The manifestation of positive qualities of character gives effectiveness to the appeal, and vice versa.

Certain things were mentioned above as factors which arouse the instinct of self-subjection and in-

crease suggestibility. When the opposites of these factors are manifested, they arouse the instinct of self-assertion and decrease suggestibility.

Any state which prevents opposing ideas from being aroused through association tends to increase suggestibility. It is greatly heightened in hypnosis. Fatigue, sleepiness, and ill health would thus tend to increase suggestibility along certain lines. However, they bring on a state of general inertia which makes it difficult to influence one along most lines. The consciousness that one is not in a fit condition to deal satisfactorily with the situation may arouse an impulse to contra-imitation, or to act in a way contrary to the one desired.

Deficiency in knowledge, and lack of organization of knowledge in regard to matters involved in responding to the appeal, are factors which prevent the reproduction of inhibiting ideas through association. Hence, deficiency of knowledge, or lack of organization of knowledge, will make one more likely to be influenced by the suggestion. Stock in doubtful mining ventures is sold, not to experts in mining, but to those who know nothing about the business.

For a similar reason one is inclined to act on an appeal along the line of a strong desire. One who is sick can be easily induced to buy patent medicines. Members of one party are inclined to accept, without much evidence to support it, a story reflecting on the opposition party.

In the appeal of the salesman, several varieties of

suggestion may be co-operating to bring about the response of the man whom he is soliciting. A discussion of some of the more important will follow.

SUBCONSCIOUS IMITATION

The customer may be influenced to action by unconscious or unintentional imitation through contagion by direct suggestion. Such subconscious or unintentional imitation is brought about mainly by the effect of the suggestion on the dimly conscious marginal processes known as the subconsciousness. The suggestion produces its imitative response through the impression it makes on marginal consciousness, while the focal consciousness, which is a large factor in controlling action, is occupied with other things. This form of suggestion arouses impulses and activities which seem to be self-originated. In determining the response to the appeal they co-operate with the desires and purposes springing from the conscious deliberative processes.

Through subconscious imitation one may absorb the ideas and feelings and copy the acts of others when he has no intention or purpose of doing so, or even contrary to his express purpose to refrain from doing so. A northerner living in the south may thus unconsciously catch the southern drawl, or the southern attitude toward the negroes. We may cough, sneeze, or laugh, or yawn merely because someone else does so in our presence, or suggests it by something he says.

When those around us are depressed, discon-

tented, irritable, or pessimistic we tend to have a like feeling. When we are mingling with happy or optimistic people, the world looks brighter to us. This sort of suggestion is often conveyed by very subtle or intangible means, such as the general tone of speaking, the bearing, the expression of the features, etc.

Through this form of imitation, the emotional state of the salesman tends to inspire a like state in the mind of those with whom he is dealing. Hence, the salesman should cultivate the habit of looking on the bright side of things. He should fill his mind with optimistic thoughts. One who appears happy and confident will tend to arouse a similar state of mind in those with whom he is dealing. He will thus favorably dispose them to the acceptance of his proposition.

In many instances the customer will respond more readily to the suggestive influences of the feelings and impulses manifested by the salesman, than he will to the reasoning of the solicitation. Feelings and impulses are directly contagious by sympathetic induction. Through subconscious induction feelings and impulses lead to subconscious imitation. The customer comes to feel a strong impulse to respond favorably to the solicitation. The impulse has been suggested so subtly that he feels it to be self-originated. Closing seems to be an act of spontaneity rather than one of self-subjection to the solicitation of the salesman.

This gives a clew to the type of man who will make the most successful salesman. The salesman who is animated by strong feelings and impulses will be much more successful than the coldly logical man, other qualifications being equal. The mere energy or industry of such a man will not make up entirely for the lack of "pep" or fire of the other sort. Of course, the feelings and impulses must be of the right sort. The salesman should be animated with the spirit of service to the well-being of the customer, rather than with a selfish desire to secure a profit from the sale, regardless of the interests of the customer, or with fear lest the customer may escape without buying.

This sort of suggestion is made partly through the tone of voice, which of course appeals to the ear. The choice and arrangement of words, the attitude or bearing, the gestures, the expression of the face, and the general appearance and behaviour of the salesman have strong suggestive force. Most of the last-mentioned factors, of course, appeal to the eye.

The salesman should take a position so that these sugestive factors can be clearly seen by the man whom he is soliciting. The salesman who retires into the shadow overlooks the fact that a great part of the suggestive force, exerted unconsciously during the solicitation, must make its appeal through the eye of the prospect.

The more clearly the man solicited can see the

salesman, the more he will be influenced by the visible manifestations of magnetic, strong, authoritative, efficient personality. Through such visible influences the salesman can inspire belief in his honesty, good will, and desire to serve. He can thus transmit to his customer his enthusiasm and the confidence he feels in his line. These subconscious suggestions accompanying the selling talk may be regarded as a by-product of the solicitation, but they are very important factors in getting the desired result.

The man who is being solicited should be able to see clearly the suggestions made by the salesman, which appeal only to the eye. However, his attention should not be centered on them, but on the selling talk, and on the sample, or the article, or the demonstration of what is being sold.

The man to whom the selling appeal is being made will unconsciously, in his bearing and expression, make suggestions which reveal the sort of an impression the solicitation is making on him. Hence, he should be seated in plain view of the salesman.

CONSCIOUS OR INTENTIONAL BUT UNREASONED IMITATION

This form of imitation is not necessarily unreasonable. As a matter of fact, the acts to which it leads are generally quite reasonable. They do not spring from a process of reasoning, but they can generally be justified by a process of reasoning. The acts thus performed come under the head of ideo-motor activity. Some instinct, or interest, or desire, is aroused by suggestion. The impulse to action accompanying it, is in the focus of consciousness, and tends to pass over into the appropriate act. The suggestion is made without a supporting reason. If it secures and holds the attention, so that inhibiting ideas are prevented from occurring, it will be carried out into action.

Sometimes a suggestion of this class takes the form of a direct command. It may be made by anything which arouses directly an impulse to action. It is then an appeal. The suggestions a salesman makes in his efforts to close the sale are often of this type.

In many of the simpler forms of salesmanship the salesman relies upon a direct suggestion for which he gives no supporting reason. The huckster cries Apples! Apples! The newsboy yells the name of his paper. Each in this case relies on an associative

process to arouse an impulse to buy in the mind of the hearer. If a huckster calls out an attractive quality of his wares, he attempts to arouse the impulse to buy through a direct suggestion which creates desire.

The newsboy attempts to arouse desire and impulse to buy when he calls "All about the suicide!" He uses a suggestion aimed directly at the impulse to buy, rather than one intended to arouse desire, when he says, "Buy a Daily News." This direct command tends to arouse the instinct of self-subjection to the will of another. This merely means an impulse to comply with the expressed volition of another. Sometimes the newsboy uses still another direct suggestion as a closing feature, when he tries to put the paper in the hands of a passerby.

Things to eat, drink, or wear can often be sold without employing an appeal which arouses complicated processes of reasoning in the mind of the buyer. The salesman's task is merely to impress the attractive qualities on the mind of the customer by display and description. The clear perception of the attractive features is sufficient to arouse the impulse to buy.

The salesman often employs this type of suggestion without realizing the effect he is producing. The clerk frequently spoils an opportunity to make additional sales by asking "Is this all?" It wouldn't be much worse to ask "This is all today, isn't it?"

The clerk who asks "Is there anything else you would like to look at?" doesn't do much better.

As he closes one sale, a salesman can often lead to another by making a definite suggestion of some appropriate and particularly attractive article. For example, a clerk who has just sold a shirt could say "We have just gotten in a very attractive lot of ties. How do you like this one?" as he tactfully places before the customer a becoming tie. He thus secures an opportunity to demonstrate the attractiveness of the tie and to tell about its excellent quality and stylishness. In doing so, he will be making rational suggestions, which will be considered later.

Suggestions of this sort that are potent and far-reaching in their consequences can be made in subtle ways of which one is not fully conscious at the time. How would it affect the amount of business done on credit if the salesman regularly asked "Will you have this charged?" Consider the effect on the delivery charges of a clerk taking one of the following courses: First, suppose he asks "Will you have this sent out?" The average customer would consider the question an invitation to have the thing sent out and would answer, "Yes," though, of course, some would say "It will give me no bother. I may as well take it." Again, suppose the clerk says "Will you take this with you?" Many would say yes, and would take it, though some would ask to have it delivered. The question in the latter form might do much to reduce delivery charges, though a few might resent it

as implying that the store is unwilling to deliver. If the package is one that can be carried conveniently, the best course would be for the clerk, as he thanks the customer, to hand him the package, as if he would take it as a matter of course.

Very frequently a mere suggestion will be more effective than a fully stated reason. Suppose the salesman is trying to induce a merchant to take the exclusive sale for a line. He may say, "Here is a thing which offers such and such an opportunity in your line. (Of course he would make his claims definite.) Any live dealer like you can make a great thing out of it." Some such suggestion would be more effective than to say right out, "If you don't take this, I will sell it to one of your competitors and he will secure a great advantage over you." The salesman should not make statements that may be regarded as suggesting or implying a threat. Such statements arouse a feeling of hostility.

We have been discussing the selling appeal which consists of a direct sugestion for which no supporting reason is given. It should be apparent by this time that this type of sugestion plays a large part in more complex selling appeals. This type of suggestion merges without a sharp dividing line into the type of suggestion supported by an explicitly given reason, or reasons. There is, in turn, no clearly defined boundary line between this type of appeal and the one which aims at bringing about a fully reasoned choice.

As a rule, a salesman can not make a sale by bringing about an unreflecting response to a suggestion. He generally arouses deliberative processes and encounters objections which must be overcome.

FULLY REASONED CHOICE AND DEMONSTRATED TRUTH

Under this heading comes the selling appeal which seeks to make the sale by a clear and forceful appeal to the intelligence and judgment. The salesman aims to guide the customer through a thorough consideration of the reasons for and against buying. The desire to make the purchase is to spring from adequate investigation and deliberation.

The salesman may undertake to make the sale by demonstrating the truthfulness of his claim in regard to the value of the thing he is selling, by putting the matter to the test of actual experience. By trying it out, one could thus prove that a machine can be used profitably in a certain business.

On the other hand, by considering the reasons for and against it, one may be led to the conclusion that a machine can be used advantageously. Or he may reach the same conclusion by reasoning from the experience of others in lines of business similar to his own.

In some instances the salesman can employ both logical exposition and experimental demonstration to establish the desirability of the thing he is selling. However, he rarely endeavors to conduct the customer through a consideration of all the reasons for and against the purchase. In practice he usu-

ally gives consideration only to such reasons against the purchase as are brought up by the customer.

The salesman should never undertake to make a sale when he believes there are valid objections which would make it unwise for the man to buy. He may refrain from mentioning objections which do not occur to the customer, provided he is fully assured that it will, on the whole, be to the advantage of the customer to make the purchase. In most instances, fully reasoned choice is merely an ideal to which the selling appeal aims to approximate more or less closely. This approximation takes the form of rational suggestion, which we consider next.

RATIONAL SUGGESTION AND RATIONAL IMITATION

One can rarely be absolutely sure of the correctness of even his most carefully formed opinions about the things he buys. Deliberate consideration of all the reasons for and against and demonstrably certain truth are merely ideals to which the selling talk approximates more or less closely. This approximation takes the form of a response to one of the varieties of rational suggestion. As the appeal, from the view point of the salesman, is a process of rational suggestion, so it is a process of rational imitation from the point of view of the man whom the salesman is soliciting.

Sometimes it is more effective to merely suggest the reason which will give rise to the impulse to purchase, than it is to state it explicitly. The impulse to purchase will then seem to be spontaneous or self-originated. Carrying out the impulse will then seem to be a matter of self-assertion rather than a case of subjection of self to the will of another. The following are illustrations of suggestions of this sort. "The oldest house in America." "The largest business in this line." "We make articles for the United States government." A different impulse is aroused by the following: "Makers to the king." "Made in Paris." Figurative language, if

skilfully employed, is very effective in arousing impulses to action. Examples of this are "The key to success," "The highway to prosperity," "The road to happiness."

The use of suggestions which become effective only through the working of the associative processes of the mind will be discussed more fully in "The Psychology of Advertising."

It may be well here to caution the salesman against the use of bombast or over statement. Claiming too much arouses suspicion.

RATIONAL SUGGESTION

As was seen before, in some instances the sale may be brought about by employing mere suggestion. In such a solicitation there is no attempt to arouse deliberative processes and through them to create desire. Suggestion may lead to the acceptance of claims to desirability, with full conviction of their validity, without arousing a complicated and exhaustive deliberative process in the mind of the customer. Suggestions belonging to the first two classes may have an important effect in bringing about the act of closing, and in the solicitation leading up to that act.

The ordinary selling appeal consists of suggestions which become effective without the help of logical processes in the mind of the purchaser, and also of suggestions which rely on the co-operation of logical processes to make them effective. It is also true, in a very large number of cases that the sug-

gestions play a more important part than the logical processes in making the sale. To make suggestions effective, avoid vague abstractions. Make specific statements. Employ definite and concrete ideas. See that they are clearly apprehended.

In one type of rational suggestion, in order to reinforce the impulses aroused by reasons why, a suggestion is made which aims directly to arouse an impulse to perform the act of purchasing and to make it pass over into action. Previously to the making of this suggestion, the salesman has made an effort to predispose, or incline, the mind of the customer to a favorable response to the suggestion. By giving reasons why, or by quoting authorities, he endeavors to create in the mind of the customer an attitude which will make him receive the suggestion favorably. A suggestion is then made to bring about the act of closing, to which the other suggestions predispose one.

If a suggestion is clearly and strongly made and opposing ideas are not present in mind, the impulse aroused by the suggestion will follow its natural tendency to pass over into action. The tendency to bring about compliance is strongest, if the suggestion arouse desire, or if it is directed along the line to which habit or instinct inclines. The response to the suggestion will then be purely impulsive in character and will be performed without ulterior reason or purpose for doing it. It is not founded on, or supported by reason why, or proof, or logical

conviction. This type of suggestion was previously discussed.

The suggested act will be more likely to be performed if it is made to seem reasonable, and if it is in harmony with the controlling purpose dominant in the background of consciousness. In many cases, it is not necessary to get the customer to perform an elaborate process of reasoning to prepare his mind so that the suggestion will seem reasonable to him when it is made. For example, a man was desirous of buying a machine to do a certain work. The salesman mentioned a few places where the machines were being used satisfactorily. The prospective purchaser knew the people using them and believed that they would be satisfied with nothing less than first class results. He closed the deal without going into an elaborate consideration of the comparative merits of the machine. The purchaser simply followed the leadership of those who had prestige in that particular line.

In most cases the salesman must indicate the value giving qualities of the article. He must then explain, in such a way as to suggest belief, the main reasons why these qualities give value to the article.

Men do not often reason exhaustively about a thing. The salesman should not lead the customer to deliberately weigh all the reasons, for and against, which can be found.

The successful salesman holds the attention and so directs it that no competing or inhibiting idea arises with strength enough to prevent the sugges-

tions he makes from controlling action. Men tend to accept statements made confidently and authoritatively. The reasons why, given by the salesman, will be held to be true, unless some contradictory idea occurs to prevent belief. The salesman who arouses and maintains a lively interest in his selling talk will do much to prevent such ideas from occurring. He should keep competing lines, and reasons why not, out of the mind of his customer as far as he can. By giving reasons why, and omitting reasons why not, the salesman can often induce the customer to make up his mind to purchase, without encountering serious objections to so doing.

A suggestion, contrary to the purpose dominant in consciousness at the time the suggestion is made, may be performed, if it centers attention on its self so strongly that the dominant idea lapses from consciousness. A suggestion which arouses strong feeling or emotion may thus center attention on itself.

A suggestion is more effective, if it is bolstered up with a background or fringe of ideas arousing impulses tending to reinforce it. That means that the suggestion which is the focal element will be more effective, if the ideas which have recently been in consciousness, or are still in the margin of consciousness, are of such a character that they arouse impulses to action harmonious with the focal suggestion. How this may be brought about will be explained later.

Men are inclined to act on suggestions in regard to subjects about which they know little, as reasons

why the act should not be performed are not likely to occur. They follow the advice of the expert, without demanding proof, in matters concerning which they are ignorant. The man, who can give the impression that he is an expert, can readily impose on the ignorant. Stock in blue sky mining companies is sold to people who know nothing about mining, not to the experienced miners.

Selling to an expert is a different proposition from selling to an experienced buyer. One requires cogent proof before he is willing to act on a new proposition concerning matters with which he is familiar and to which he has given much thought.

The force of habit makes men shy from a proposition which resuires a readjustment or rearrangement of their familiar notions, beliefs, or habits. More than mere suggestion is required to get a man out of a rut which is leading him the wrong way. Care must be taken to make the amount of such readjustment seem as small as possible. The proposition should be presented, as nearly as may be, as offering a better means of attaining an end already recognized as desired.

A suggestion not to do a thing has little, if any, negative force. Such a suggestion merely keeps the attention fixed on doing the prohibited thing. To prevent the carrying out of an impulse to action, the idea of a course of action contrary to the impulse must be present in the mind. The word "not", in a command, does not arouse an impulse to act in an opposite way. To prevent the carrying out

of an action, it is necessary to suggest an opposing or inhibiting course of action in such a way that the attention is fixed on the idea that arouses the inhibiting impulse. To do this, one should awaken an opposing motive to action.

Some men naturally tend to do the opposite of the thing suggested. They manifest the trait known as negative suggestibility. One can almost get them to do a thing by suggesting that they do not do it. About the only way to handle such men successfully is to handle them so tactfully that they will think that they themselves suggested what you wish them to do.

If a man is ill-tempered, troubled, distressed, worried, or pessimistic, the salesman should get him into a more favorable state of mind, or wait until a more opportune time to press his business. Men are likely to be inclined to buy less freely on a day which is unpleasantly windy, or rainy or snowy, or hot, or cold. Success in selling will be affected adversely by the ill health of the customer, his state of hunger, fatigue, discomfort etc. All of these conditions will tend to affect the efficiency of the salesman, also.

Pleasure renders a man more optimistic, gives him more confidence in his own judgment, and renders him more easily influenced by suggestion and likely to buy more quickly and in larger amount. Hence the salesman should try to create a pleasurable state of mind in his customer. He should not inhibting impulse. To do this one should awaken

resort to obvious flattering or jollying. These are likely to arouse offense.

To create a pleasurable state of mind in the customer, the salesman should depend upon a pleasant manner of approach and upon saying in an agreeable way the things he will enjoy hearing. Be optimistic about the prospects for business. Find some feature of his business establishment or something in his method of merchandising that is deserving of praise. Express your commendation sincerely and heartily. Create a feeling of confidence in your judgment and business sagacity. Make him realize that you are really desirous of doing what will be for his best interests.

In dealing with an experienced business man, it is well to come right to the point, and without waste of time to present a proposition which is boiled down and full of concentrated force.

In dealing with people not used to doing business in a business like way, the salesman may find it well to indulge in a little preliminary talk to permit the prospect to get acquainted with him and cause him to feel confidence in him. He may tell a funny story to get the customer to laugh with him. In this preliminary talk he can show interest in the business, or the family, or the outside concerns or hobbies of the customer. He can tell him of long continued business relations with others whom he may know, of recent business done, etc., to show that others have satisfactory business relations with the firm. He can make clear to the customer

that he has a good knowledge of business conditions and prospects, and that he has a mastery of successful ways of merchandising that will help the man in his business, etc.

Adapting the appeal and the solicitation to the various interests as they are found to exist in those who make up the market will be discussed more fully in the "Psychology of Advertising."

INCREASING THE EFFICIENCY OF THE SELLING FORCE

One of the most important duties of the sales manager is to keep enthusiasm alive in his sales-force. One can be enthusiastic over a line, only when he understands its importance. Enthusiasm in a salesman is like steam in an engine. It furnishes motive power. Enthusiasm is contagious through suggestion. It oozes out in all that the enthusiastic man says and does. Its manifestation in subtle ways, in the tone of voice, gesture, expression and bearing of the salesman, arouses a like state in the mind of the customer. In religion, many men are converted more through feeling than through reasoning. Feeling has a like potency in business. A selling talk charged with good will, optimism, confidence, and enthusiasm, will accomplish what cold reasoning alone can never gain. A man's belief that the man he is soliciting will make the purchase, may manifest itself in the subtle ways explained previously and become a potent factor in making the sale.

The salesman occupies an important position in the affairs of the business world. He renders an indispensable service. He has reason for self-respect, if he has prepared himself to perform efficiently the function of his calling. If he can not be

enthusiastic about the line he is selling, he had better quit it and get one he believes in, if he wishes to gain the success his ability fits him to attain.

The salesman should be given a message of good cheer and encouragement when things are not going well with him. Hauling a man over the coals, or threatening to discharge him, does not put him in a state of mind which fits him to do good work.

Credit for success achieved should be given heartily and generously. Recognition, by way of public mention and commendation of specially meritorious achievements, inspires ambition in the one so distinguished. It is also a suggestion that is potent to stimulate others to emulate the worthy act.

The sales manager who renders best service to his salesmen will be most effective in inspiring the salesmen to render efficient service.

CONVENTION OF SALESMEN

Getting the salesmen together for conference and instruction is an excellent means of improving their work. The program may include the demonstration by an expert of the best method of making a sale, of instructional and inspirational addresses etc. It will probably include a round table conference in which the salesmen exchange their views on various problems involved in selling. This develops a spirit of co-operation.

Each man is likely to put forth his best qualities in such a gathering and will take pride in making clear the things which have contributed to his suc-

cess. The results attained by the more successful inspire the others to resolve to rival their achievements.

The suggestions received by each man from many sources jar him out of his ruts. He will set himself to examining critically his own successes and failures, as he hears the successes and failures of others discussed. He will acquire new ideas and will improve his methods of working.

The spirit of competing with other members of the selling force will stimulate the men to put forth greater energy and to initiate new lines of effort. To make the most of what is gained in such a convention, the sales manager must devise ways to keep this spirit alive, while the men are working separately. This can be done by keeping them informed about trade conditions and prospects. They should be told about the success of other salesmen, and how it was gained.

SALES CONTEST

Experience gained in a great variety of lines has demonstrated that a well managed sales contest is a very effective means of increasing business. The potency of the contest is easily explained. It stimulates into activity many of the strongest instincts and interests.

Among the instincts aroused by the contest are the following:—Rivalry, emulation, self-assertion, desire for approbation, fighting, acquisitiveness, cooperation with others, and loyalty to group inter-

ests. Of course some of these are active in the form of the interests developed from them. For example, the contest awakens the wealth, the vocational, the sociability, and the moral interests.

AWAKENING INSTINCTS AND INTERESTS RENDERS MORE ENERGY AVAILABLE

When an instinct or an interest is aroused the activity of certain physiological organs is correspondingly increased. The increased activity of these organs renders a greater amount of energy available for carrying out the impulses which have been aroused.

For example, the suprarenal capsules are small glands above the kidneys which secrete adrenalin and pour it into the blood. When the fighting and emulative impulses are aroused there is an increase in the amount of adrenalin secreted.

The increased amount of adrenalin in the blood stimulates the liver to give over to the blood some of the energy stored up in the liver in the form of sugar. Thus energy is furnished to maintain the increased activity of the various organs of the body involved in carrying out the fighting and emulative impulses. The increased supply of adrenalin also tends to prevent the inhibiting sensation of fatigue from becoming strong enough to check the action before the available supply of energy is used up.

In order that a sales contest may be carried on successfully, means must be employed to stimulate

effectively some, or all, of the instincts or interests previously mentioned.

The instinct of rivalry is usually appealed to by offering a prize. In order that the prize may serve to stimulate all the salesmen equally, it is necessary to fix upon a fair basis for measuring achievement. A careful investigation is made to determine the amount of sales which may be justly expected from each salesman under the conditions prevailing, making no allowance for the stimulating effect of the contest. In a recent contest, credit was given as follows on a 100 per cent basis: 20 per cent was given for the exemplification of real salesmanship, 20 per cent for the greatest volume of sales at a reasonable profit, 20 per cent for the best percentage of profit on a reasonable volume of sales, 10 per cent for the largest increase of old accounts, 10 per cent for the smallest volume of rejection and the least supervision necessary from the general sales offices, 10 per cent for the smallest volume of losses, 10 per cent for the greatest increase in permanent new accounts. A definite quota is assigned to each salesman. The prize is to be given to the one who makes the greatest percentage of increase in his quota. Each salesman is kept informed as to what all the others are doing.

If the prize is considerable in amount, it will appeal to the wealth interests.

Making the achievements of each salesman known to all the others, also arouses the spirit of rivalry.

It also stimulates the sociability interest, as it makes each put forth his best efforts in order that he may stand well with others. It says to him, in effect: "The world has no use for quitters and failures. Here is a race open to all, and no favoritism is shown. The best man will win. Are you the best man?"

A similar appeal may be combined with an appeal to the sociability interest, the spirit of co-operation, and of loyalty to the business. "You have been selected as a member of this selling organization because you have shown that you have ability, industry, and high business ideals. You have helped to make this business what it is. Will you help to make it better?"

In order that the sales contest may be a success, appeals must be directed definitely and effectively to certain specific instincts and interests. If instincts and interests are awakened to activity along the right lines, the fund of energy at the disposal of the salesmen will be greatly increased. Their feelings will be kindled. Their minds will work more actively. Effort will be concentrated on the things that count.

DEVELOPING CHARACTER AND PERSONALITY

SUCCESS DEPENDS UPON CHARACTER

The efficiency of a man in any line of business depends in large measure on the character he has formed. From his character come his strength and skill in influencing men and the respect he is able to inspire in the men with whom he comes in contact. The factors which are effective in inspiring respect are traits of character manifesting themselves in subtle, almost indescribable ways, in expression, words, tone, and acts. Through suggestion, one's character impresses itself on others, whether he wishes it or not. Holding the good will of people with whom one does business depends largely upon the treatment accorded them. The treatment will be as the character is. The character can not be bad and the acts regularly good. Good character is manifested in habitually according the right treatment to others.

Character grows out of the native tendencies and impulses, the instincts and interests, which we have already discussed, as they are developed into habits by the material and social environment. The objects to which our native impulses attach themselves, and the form which their development takes, depends upon educational influences, taking them in the

broad sense which includes all external influences which affect our life.

A man stamps his true value on himself. Hence, he must be what he wishes men to take him to be. No mask, or make-up, or attempt to play a part, will long prevent the inner man from impressing itself, through suggestion, on those with whom we deal. The world will take a man at the value he places on himself, provided he is not trying to float a lot of watered stock. One should strive rigorously and unflinchingly to be and do the things he ought to be and do.

Preparation for business efficiency consists in large part of developing character and personality.

Psychology is merely a descriptive science. It is interested solely in telling how the mind works and how character is developed. As a science, it has no concern to decide whether any particular habit is good or bad. To find out what traits of character are desirable, we must consult the conscience of the individual, the experience of society, educational theory, ethics, and religion. In the last analysis it will be found that the so-called bad acts are tabooed because they bring bad results. The good traits of character are so considered and esteemed because they further individual and social welfare. The best traits of character are the traits which make for the highest success.

Among the good traits of character are: honesty, industry, care of bodily well-being, cleanliness, per-

severance, thoroughness, punctuality, ambition, open-mindedness, thinking for one's self, progressive spirit, leadership, confidence, courage, cheerfulness, optimism, self-control, temperance, truthfulness, obedience, courtesy, sympathy, civility, loyalty, etc. The reader can add to this list as he pleases. A little reflection will convince him that he would regard none of the virtues as traits or elements of character, unless they were habitually manifested in conduct.

To find the strong and weak points in one's character requires careful and honest self-criticism. Much will be revealed in the advice of friends, the criticism of enemies, the treatment one receives from business associates, and one's success in dealing with others. In forming his character, one should be guided by the ideal of self-realization previously discussed. He should aim at an harmonious development of character and efficiency in all lines, with special attention to the matter with which he is most concerned.

Since a man's character is made up of native impulses developed into habits of thinking, feeling, and willing, the form that his character takes is to a large extent under his control. One can change his character by changing his habits. To give up old habits and form new ones, one must resolutely refuse to yield to the tendency to act in accordance with the old habit. Just as resolutely, and unhesitatingly, and invariably, he must improve every opportunity to act along the line of the new habit he desires to form.

This is so difficult that it is necessary to get the strongest possible hold on one's self at the start. But it grows much easier to act in the new way, as time elapses and the habit gets better formed. The new way, which at first required painful effort, later becomes pleasurable. It will finally require effort to act contrary to the new habit.

The most difficult thing in forming a new habit is to get strength and resolution enough to jerk one's self out of the old rut and get a good start in forming a new one. In time the habits will become a second nature, stronger than the original nature. Do not concern yourself with the undesirable habit you wish to eliminate from your character further than to refuse to give attention to the impulse to act along that line, or to allow the impulse to pass out into action.

SELF-CONFIDENCE

To make it clear how one can develop the more complex traits of character, and attitude of mind, let us consider self-confidence, which is of the utmost importance in every line of work. A firm spirit, manifested in confident and self-reliant attitude and in decisive action, compels respectful, and even considerate treatment from others. Show fear and you invite others to impose on you. There is much truth in the saying that men can win because they believe they can win. Energy in action follows naturally from self-confidence. To develop the self-confident feeling and bearing, decide carefully what you wish

to do and how to do it. Be thorough and painstaking in your preparation. Keep your purpose in view. Be on the alert for new points of view, new ideas, and new light on old ideas. You will thus acquire a fund of ideas and experience which will make you master of your line.

Give yourself good reason to think well of yourself, and then think well of yourself. You will thus develop self-confidence and initiative. Then do not stand around hesitating and irresolute. Go to work with an energy that never falters or turns aside.

Where there is a will there is a way.

Don't harbor feelings of doubt, or dwell on thoughts of inefficiency and failure. Most fears are groundless. Still more are worse than useless. By dreading a thing, you will be likely to contribute to bringing it to pass, and you will certainly increase its ill effects when it comes. Do not let your thoughts dwell on your shortcomings or chances of failure. A difficult situation once squarely faced loses most of its terror.

Overcome any tendency to diffidence or self-distrust by keeping your thoughts fixed on what you have to do, not on yourself. Keep before you the advantage and satisfaction which will come from succeeding. Study your failures only to find out how you can increase your proficiency, and then forget them. Think, instead, of future successes. Suggest to yourself frequently, "I am able to succeed. I will be self-confident. I will succeed."

To impress your self-confidence on others, manifest in your work, optimism, courage, confidence in your ability to succeed, intense earnestness, enthusiasm, and perseverance. Work without hesitation, in a thorough and honest manner. Avoid over-tension and convulsive efforts, as they manifest weakness and involve waste of energy. Give the impression of having plenty of time to accomplish your work. Appear confident of being able to handle the situation satisfactorily.

If you wish to be a successful man, you must assume the mental attitude and manner and bearing of a successful man. The successful leader of men shows self-reliance and conscious power in his manner, conversation, and carriage. He impresses men as believing in his ability to do great things. Men have confidence in one who believes in his own ability. They distrust one who lacks confidence in his own powers to secure good results.

PERSONAL MAGNETISM

This quality is so complex in its character as almost to defy analysis and explanation. The person who is described as possessed of magnetism will be found to manifest many of the following traits. He dresses tastefully in good clothes, well-pressed and cleaned, well-kept shoes and clean linen. He is well-shaved and bathed, and well-groomed. He speaks distinctly with a pleasant and well-modulated voice. His gestures and bearing are pleasing. He shows

courtesy and politeness by doing what is generally recognized as good form. He has consideration for others, and interest in their welfare, and in what they do and say. He has tact and avoids over-familiarity and weak flattery. He is cheerful, and cultivates the art of pleasing. He does the right thing, in the right way, and at the right time. He has easy confidence in himself, but is not conceited. He appears successful, shows mastery of his business and enthusiasm for it. At the same time he is interested in many other subjects, and well informed about them.

INDEX

Aesthetc interest, 197.
After closing, 86.
Approach, 17, 24, 27.
  introductory statement in, 25.
Argument, avoid, 57, 69.
Association of mental processes, 117.
  by continguity, 117.
  by similarity, 119.
  in memorizing, 125, 133.
  influence of emotion on, 121.
  process of, in education, 128.
  solicitation modifies working of, 149.
Attention
  and interest, 139.
  directs mental processes, 148.
  expectant, 146.
  focus and margin of, 145.
  holding, 36, 141.
  securing, 24, 141.
  voluntary and spontaneous, 141.
Aversion, 190, 212, 220.

Behaviour, 102.
Belief and action, 167.
Brain and mind, 111.

Character
  developing, 256.
  success depends on, 256.
  traits of, 257.
Choice, fully reasoned, 239.
Closing, 75.
  after closing, 86.
Competitors, treatment of, 72.
Confidence in salesman, 33.
  inspiring confidence, 231.
  (see also "suggestion")
  creating self-confidence, 259.
Conscious processes, classification of, 109.

Demonstration, 31, 47.
Desire, 212.
  arousing, 31, 220.
  see "interest" and "attention."
Diagnosis, 58.

Education, 128.
  interest in, 197.
Experimental psychology,
Expert, 167.
Factors which determine mental processes, 169.

Family and home interest, 195.
Feeling out and closing, 75.

Good and bad, 192.
Good will, 51, 147.

Habit, 111.
Health interest, 197.

Ideo-motor activity.
(see "will")
Imitation, 223.
conscious, 234.
rational, 241.
subconscious, 230.
(see "suggestion")
Impulses, arousing irrelevant, 50.
Inhibition, 150.
(see "objections")
Instincts, 169.
classification of, 183,
definition of, 170.
education of, 177.
enumeration of, 173.
modification of, 180.
Interest and attention, 139.
Interest, arousing,
in approach, 25.
in pre-approach, 21.
Interest, desire, value and price, 212.
Interests
aesthetic, 197.
classification of, 191.
correlation and co-ordination of, 208.
education, 197.
family and home, 195.
health, 197.
meanings of, 189.
moral, 185.
morality the major interest, 191.
philanthropy, 194.
politico-legal, 195.
recreation, 203
sociability, 196.
vocation, 199.
wealth, 198.
work and need for recreation, 202.
Interests and thinking, 153.
Introspection, 105.
Intuition, 59.
Intuitive judgments of character, 59, 108, 175.
Investigation in pre-approach, 19.

Judgment and reasoning, 164.

Learning,
aims to grasp significance of things, 133.
process of, 129.
method of, 134.

Marketing, 94.
Means, use of illegitimate, 51.

Meaning of things, 132.
learning aims to grasp the, 133.
Memory and art of recollecting, 123.
Mental and physical processes, 102.
Mind and brain, 111.
Minds of others, knowledge of, 58, 107.
Moral interest, 185.
Morality, the major interest, 191.
principles of, 193.

Needs, awakening, 219.

Objections, dealing with 27, 67, 82.
Objective and subjective realms, 103.

Personal magnetism, 261.
Personality, developing, 256.
Philanthropy interest, 194.
Politico-legal interest, 195.
Practical knowledge and skill, 11.
Pre-approach, 17, 19.
investigation, 19, 23.
preparation, 20.
Predispositions
(see "instincts" and "interests")
Price, 212.
making known the, 32, 33, 43, 74.
Proficiency, acquiring, 11, 100, 114.
Psychological moment for closing, 76.
Psychological knowledge, method of gaining, 105.
Psychology, definition of, 102.

Quality, definition of, 31, 36.
demonstration of, 47.
value giving, 31.

Recollecting, art of, 123.
Reasoning, 164.
Recreation interest, 203.
Right and wrong, 192.
principles of, 193.

Sales contest, 252.
increases energy of salesman, 253.
motives appealed to in, 252.
Salesman, function of, 10.
preparation of, 16.
increasing energy of, 253.
Salesmanager, 13, 251.
Salesmanship,
as a profession, 92.
deals with mental processes, 14.
definition of, 13.
economic function of, 10, 92.
is applied psychology, 13, 62.
Salesmen, convention of, 251.

Self-confidence, 259.
Self-realization, 183.
  gained by satisfying interests, 189.
Selling contents of this book to the reader, 7.
Selling force, improving the, 250.
Selling points,
  definition of, 36.
  putting in writing, 37.
  stating aim of, 36.
  (see also "solicitation")
Selling process,
  acquiring skill in, 11, 100, 114.
  parts of, 17.
Selling talk
  see "solicitation."
Sociability interest, 196.
Solicitation, 31.
  adapting to customer, 39.
  aim of, 17, 31.
  appeal to intelligence in, 46.
  arousing irrelevant impulses in, 50.
  brief solicitation first, 42.
  demonstration in, 47.
  effectiveness of cumulative, 41.
  holding attention and interest in, 36, 141.
  illegitimate means in 51.
  making effective, 52.
  preparation of, 33.
  renewal of, 43.
  seriousness in, 53.
  stating aim of new point in, 36.
  suggestion in, 45.
  thinking ahead in, 35.
  truth in, 45, 162, 216.
  see also "suggestion."
Spontaneous, attention, 141.
Success, depends on character, 256.
Subjective and objective, 103.
Suggestibility, factors of, 225.
Suggestion,
  and imitation, 223.
  auto, 223.
  conscious, 234.
  in solicitation, 33, 54, 146, 218, 223.
  rational, 241.
  subconscious, 230.
Sympathy, 175.

Technical terms, use of, 56.
Thinking, 153.
Truth, 45, 162.
  the ideal of selling, 216.

Value, 31.
Vocation interest, 199.

Volition, 150.
Wealth interest, 198.
Well-being, 183.
  see "self-realization"

Will, 150.
  involving deliberation, 151.
  to live, 182.
Work and need for recreation, 202.

THE NEW SALESMANSHIP

AND

HOW TO DO BUSINESS

Cornell University Library

BOUGHT WITH THE INCOME
FROM THE
SAGE ENDOWMENT FUND
THE GIFT OF
Henry W. Sage
1891

A.260669 5/II/12

1357

arV13357 Cornell University Library

The new salesmanship and how to do busin

3 1924 031 259 314

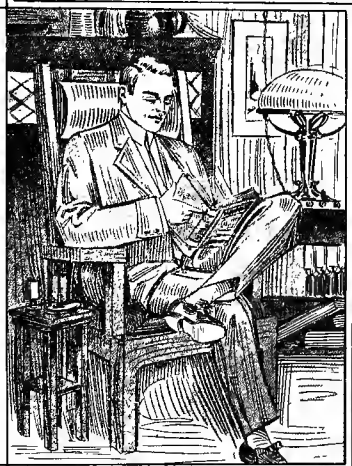
olln,anx

THE NEW SALESMANSHIP

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924031259314



THE KEY TO SUCCESS

THE SCIENCE OF SALESMANSHIP
HOW TO DO BUSINESS
THE ART OF READING HUMAN NATURE

THE NEW

SALESMANSHIP

AND

HOW TO DO BUSINESS

BY

CHAS. LINDGREN

REVISED EDITION, WITH VALUABLE ADDITIONS BY

J. M. FITZGERALD, M. D.
President of the American Institute of Phrenology.

Personality in salesmanship is that force of mind which inspires belief. It is a force which springs from knowledge. The real salesman obtains results. To say the right thing at the right time requires good judgment and forethought. Ambition, enthusiasm, determination, resourcefulness and originality are essential to success.

EQUAL TO A SCHOOL COURSE IN SALESMANSHIP

CHICAGO
LAIRD & LEE, PUBLISHERS

Fs

A.260669

COPYRIGHT, 1909, BY
CHARLES LINDGREN

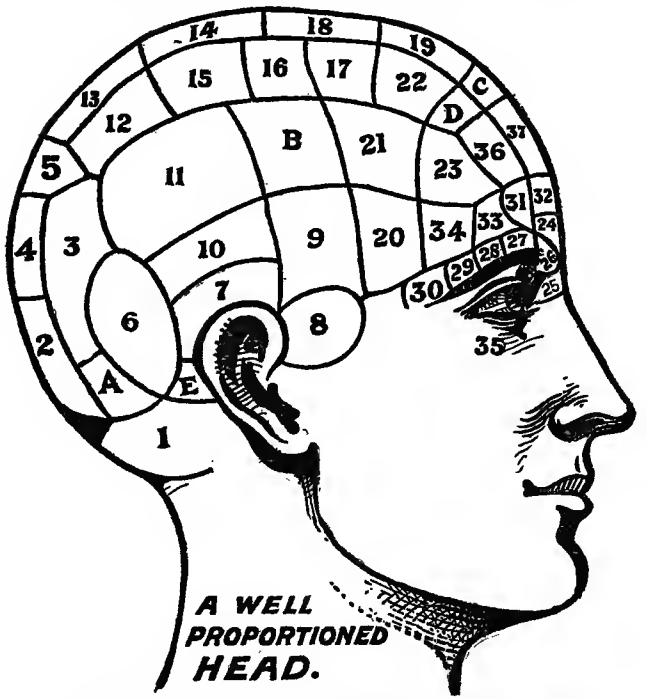
COPYRIGHT, 1909, 1911, BY
WM. H. LEE

All rights reserved.

CONTENTS

The Various Temperaments.....1
Important—Faculties of the Brain Analyzed and Described viii
Preparatory 5
The Physiological Effect of the Power of an Idea... 18
The Salesman's Twenty Weapons of Attack..... 29
Handling the Sixty-five Different Types of Buyers.. 42
The Reasoning Used in a Sales Argument..... 80
The Four Styles of Presenting a Sales Argument... 85
The Five Rules for Controlling the Sales Argument.. 87
Building the Sales Argument..... 89
The Salesman.....119
The Mail Order Business.....127
Correspondence 130
The Follow-Up System.....132
Punctuation 136
Buying Goods by Mail.....138
How to Win.....143
The Retail Salesman.....154
Dress—Appearance, and What It Means.....162

CHART OF THE HUMAN FACULTIES.



NUMBERS AND DEFINITIONS OF THE ORGANS.

1. Amativeness, Love between the sexes.
A. Conjugality, Matrimony—love of one.
2. Parental Love, Regard for offspring, pets, etc.
3. Friendship, Adhesiveness—sociability.
4. Inhabitiveness, Love of home.
5. Continuity, One thing at a time.
E. Vitativeness, Love of life.
6. Combativeness, Resistance—defense.
7. Destructiveness, Executiveness—force.
8. Alimentiveness, Appetite—hunger,
9. Acquisitiveness, Accumulation.
10. Secretiveness, Policy—management.
11. Cautiousness, Prudence—provision.
12. Approbativeness, Ambition—display.
13. Self-esteem, Self-respect—dignity.
14. Firmness, Decision—perseverance.
15. Conscientiousness, Justice—equity.
16. Hope, Expectation—enterprise.
17. Spirituality, Intuition—faith—credulity.
18. Veneration, Devotion—respect.
19. Benevolence, Kindness—goodness.
20. Constructiveness, Mechanical ingenuity.
21. Ideality, Refinement—taste—purity.
B. Sublimity, Love of grandeur—infinitude.
22. Imitation, Copying—patterning.
23. Mirthfulness, Jocoseness—wit—fun.
24. Individuality, Observation—desire to see.
25. Form, Recollection of shape.
26. Size, Measuring by the eye.
27. Weight, Balancing—climbing.
28. Color, Judgment of colors.
29. Order, Method—system—arrangement.
30. Calculation, Mental arithmetic.
31. Locality, Recollection of places.
32. Eventuality, Memory of facts.
33. Time, Cognizance of duration.
34. Tune, Sense of harmony and melody.
35. Language, Expression of ideas.
36. Causality, Applying causes to effect.
37. Comparison, Inductive reasoning—illustration.
C. Human Nature, Perception of motive.
D. Agreeableness, Pleasantness—suavity.

The Various Temperaments

The salesman should become so proficient in the study of human nature, that he can, in less than a half minute, tell the predominant element of temperament in his prospective buyer, that he may not only get that person's attention, but awaken and hold his interest while he presents and explains the merits and acceptable side of his goods, or article. The surest method to pursue is to study the phrenological system of temperaments. We will classify them briefly under three heads, viz., The mental or thought producing, the motive, or will type, the vital or feeling type. These have an anatomical and physiological basis and are very simple and comprehensive.

The Mental temperament embraces the brain and nervous system and is the instrument through which mind is manifested and developes sensation, emotion, thought and feeling. A person in whom the mental temperament predominates has a very large head for the body. The forehead is large, being broad and high; the upper sidehead is expanded, the base of the brain is narrow and small; the face is pyriform in shape, the features are delicately cut, if not sharp; the countenance is mobile and very expressive; the skull delicate and thin, as are all the bones of the body. The figure is not strongly marked like the motive temperament; seldom imposing, but may be graceful and elegant; the muscles are small and com-

pact in quality, adapted to rapid action rather than strength. In short the whole structure is distinguished for its fineness and delicacy. Such persons are very quick in their motions and have great sensitiveness to pain and suffering. They will be inclined to study, think, write, teach and speak; to do indoor head work in preference to manual labor. The mind will generally predominate over the body and with fair culture, the person will be clear-headed, intense, susceptible to enjoyment and suffering and to every internal and external influence. The brain makes the whole body its servant and hence the whole body is the medium of mental manifestation. If the brain is larger in proportion than the body it is liable to exhaust the body, because the exhausting power is in the brain. It is proper to call this temperament mental rather than nervous. Some are nervous because they have taken strong tea, coffee, tobacco, or other poisons, and also from over work, dissipation or bereavement of family or friends; in these cases the nervous system is keyed up too high. But the mental being dependent upon nerve, is indicated when there is a predominance of brain and nervous force over bone and vitality.

Mental.

The Motive temperament is indicated by large bones, strong, hard muscles, prominent joints and an angular figure, usually associated with more than average height;

the shoulders are broad, the abdomen is moderate in fullness, the face is oblong, the cheek bones are rather high, the jaws large, the teeth strong, the features in general rugged and prominent. The expression of the face is striking, it is strong, earnest, determined and probably severe and stern. In proportion as there are good bones and muscles there is power in the constitution, power to endure, to sustain hardship, to overcome obstacles in the way. It is the machinery of the body. A man who has a strong, muscular frame will walk rather than ride and will delight to take active exercise. The motive temperament is connected with action, motion, endurance, hardihood and toughness. This temperament inclines a person to labor, to be industrious, to desire constant employment and to work without fatigue. They are not so polished and refined in their manners, with the same opportunities for mingling in refined society, the same amount of training and discipline as those who have the mental temperament. They are more thorough, plodding, tenacious, direct, plain, practical, efficient and persevering.

Motive.

The Vital Temperament.

The vital includes three classes of organs, the lymphatics, the blood vessels and the glands, which, through their function of absorption, circulation and secretion,

are the source of the body's nourishment and purification. Persons of the vital temperament are characterized by stature of medium height and by breadth of body, rather than height. The bones and muscles are not so heavy or strongly developed as in the motive temperament. The chest is full, the abdomen rounded and large, the limbs plump and tapering, the hands and feet relatively small, the neck comparatively short and thick, and the face corresponds with the other parts, and is well filled out with adipose tissue, while the expression is lively, frank and good natured. As Washington Irving puts it, "who ever saw a fat man leading a riot?" They tend toward physical activity with mental facility and versatility, are distinguished for elasticity, rather than firmness, for more diligence than persistency. They have a ready perception and an active imagination and express themselves with quickness and brilliancy.

Vital.

A balance of power in the organization is much more desirable. We need a framework of good bones and muscles as well as good nerves and a healthy brain. We have spoken of these temperaments when each has been predominant, and the other two rather neutral in the individual. It is a very common thing for a person to possess two of the temperaments quite harmoniously developed and the third very deficient. Then again an occasional man or woman who is blessed with a perfect

blending of the three; they have what we term a balanced temperament. They have a good sized, well proportioned head, rather large bones and powerful muscles, and the vital organs are large enough to round out the body. Such as are thus fortunately organized, if properly educated and trained to industry and thrift are capable of turning their head and hand to any line of thought and work with almost equal facility and success of effort.

The Kinds of Salesmanship to Which the Various Temperaments are Adapted.

Men of the mental temperament who wish to become salesmen should adapt themselves to things that call for active sensibilities and artistic tastes, such as fine clothing, gentlemen's furnishings, books, dry goods, art goods, etc. The motive temperament should deal in something that has resistance and strength, where endurance and use is the chief quality and that is of practical every-day demand and necessity, for instance, mechanical things, hardware or machines, building materials, factory supplies, grains, horses, cattle, etc. The vital temperament is adapted to the selection of anything good to eat or drink, the drug business or practical household and hotel necessities. They are also well adapted to the dealing in clothing if they possess enough of ideality and perception to give taste and quickness of

Balanced.

discrimination and approbative enough to make them desire to dress well. One may, in fact the majority of people do, possess one of these elements slightly in the lead. Two elements of temperament may be well represented and the third weak, they could, therefor, choose according to the combination they possess. The person who has the three elements of temperament so combined as to produce a harmonious and well balanced organization,—we mean by this where the intellect, feelings and will are all fairly uniform in power,—can select from the whole field of things that are to occupy the salesman's attention and if a careful selection is made and thoroughly studied, he can, other things being equal, feel certain of achieving success.

Analysis of Values.

For those who are beginning as salesmen, it would be wise to form an estimate of a thing according to the following four laws, since these give all the talking points for buying or selling a thing, i. e., suppose you were buying a suit of clothes, the first thing that should be considered is the kind of material (first the amount, second the state, that is, whether it is old or new material, well dyed or poorly dyed); second, the make or manufacture, whether the suit is finely tailored, moderate or indifferent, hand sewed or machine made; third, the durability, which depends upon the foregoing points; fourth, the use, which includes the term desirability, that is, is it a winter suit, summer suit, dress suit, business suit, hunting suit, etc., is it this year's style or last year's style, etc. One can analyze out the value of anything by applying these four laws in the order in which they are given.

Many young men are not highly developed in the faculty of combativeness and in order to become good salesmen they require this faculty brought into positive function that they may not give up or become undecided and discouraged. Combativeness functions through the shoulder and arm muscles, as shown by the soldier, prize-fighter, athlete, etc., and when well developed, it imparts a feeling of enthusiasm, physical vigor and power of decision that no other faculty can give. The best way then, of bringing it into proper function is to take up some form of exercise that will call into use the shoulder and arm muscles, each morning immediately upon arising, devoting ten or fifteen minutes to this. The same amount of time may be devoted with profit in the evening, if one feels the extra need. Again, the faculty can be brought into function by tackling one's hardest task first and doing it in a positive manner.

Whenever one feels that they are becoming excited or that they are likely to lose control of themselves, they should practice slow deep breathing, breathing about twelve times a minute, the usual number of breaths being from nineteen to twenty-one. The vagus nerve, which controls the movement of the lungs, heart and stomach, can be set into function to check off the activity of the heart beat by slow rhythmic breaths. In that way the heart does not pump into the base of the brain an excessive quantity of blood, giving either a feeling of excitement, anger or confusion. This is of importance if one is going to call upon a person whom they know to be easily excited or to lose control of their temper.

IMPORTANT.

FACULTIES OF THE BRAIN ANALYZED AND DESCRIBED.

In the following analysis and description of the faculties of the human brain is first given a list of the qualities which go to make up the respective faculties, and then follows a description of the characteristics of the persons in whom these faculties are large or small. The locations of these faculties in the brain are shown by the chart at the front of the book.

ACQUISITIVENESS.

Qualities: Economy; frugality; the acquiring, saving, and hoarding instinct; laying up a surplus, and allowing nothing to be wasted; desire to possess and own; the mine and thine feeling; claiming of one's own things; love of trading and amassing property. Adapted to man's laying up the necessaries and comforts of life against a time of future need. Perversion—A miserly-grasping, close-fisted penuriousness.

Large.—Save for future use what is not wanted for present; allow nothing to go to waste; turn everything to a good account; buy closely and make the most of every-

thing; are industrious, economical, and vigorously employ all means to accumulate property, and desire to own and possess much; with large social organs, industriously acquire property for domestic purposes, yet are saving in the family; with very large Adhesiveness (Friendship) and Benevolence, are industrious in acquiring property, yet spend it too freely upon friends; with large Hope added, are too apt to indorse for them; with small secretiveness, and activity greater than power, are liable to overdo, and take on too much work in order to save so much, as often to incur sickness, and thus lose more than gain; with large Approbativeness and small Secretiveness, boast of wealth, but with large Secretiveness, keep pecuniary affairs secret; with large Constructiveness, incline to make money by engaging in some mechanical branch of business; with large Cautiousness, are provident; with large Ideality, keep things very nice, and are tormented by whatever mars beauty; with large intellectual organs, love to accumulate books, and whatever facilitates intellectual progress; with large Veneration and Self-Esteem, set great store on antique and rare coins, and specimens, etc.

Small.—Hold money loosely; spend it often without getting its value; care little how money goes; with Hope very large, enjoy money today without saving for tomorrow; and with large Approbativeness and Ideality added, and only average Causality, are prodigal, and spend money to poor advantage; contract debts without providing for their payment, etc.

Agreeableness (Suavity).

Qualities: Persuasiveness, pleasantness, blandness, adapted to please and win others.

Large.—Have a pleasing, persuasive, conciliatory mode of addressing people, and of saying things; with Adhesiveness (Friendship) and Benevolence large, are generally liked; with Comparison and Human Nature large, say unacceptable things in an acceptable manner, and sugar over expressions and actions.

Small.—Say even pleasant things very unpleasantly, and fail sadly in winning the good graces of people.

Alimentiveness.

Qualities: Appetite; the feeding instinct; relish for food; hunger. Adapted to man's need of food, and creating a disposition to eat. Perverted, it produces gormandizing and gluttony, and causes dyspepsia and all its evils.

Large.—Have a hearty relish for food; set high value upon table enjoyments, and solid, hearty food; with Acquisitiveness large, lay up abundance of food for future use—perhaps keep so much on hand that some of it spoils; with Ideality large, must have everything clean about the table and have food nicely cooked; with large Language and Intellect, enjoy table-talk exceedingly, and participate in it; with large social faculties, must eat with others; can cook well, practiced in culinary, apt to be ceremonious and over-polite at table, etc. Such should

restrain this faculty by eating more slowly, and often less.

Small.—Eat with "long teeth" and little relish; hardly know or care what or when they eat; and should pay more attention to duly feeding the body.

Amativeness.

Qualities: Sexuality; the love element; attached to the opposite sex; desire to love, be loved, and marry.

Large.—Are sexed, or much of a man or woman; that is, have the form, carriage, spirit, manners and mind of the true man or woman in a high degree; are eminently both loving and lovely; are full of love, and with Conjugality large, of the real conjugal sentiment and intuition; strongly attract, and are strongly attracted by, the opposite sex; admire and love their beauty and excellences; easily win their affectionate regards, or kindle their love; have many warm friends, if not admirers, among them; love young and intensely, and are more powerfully influenced by the love elements for good or evil, according as it is well or ill-placed; with Adhesiveness (Friendship) and Conjugality large, will mingle pure friendship with devoted love; cannot flourish alone, but must have a matrimonial mate with whom to become perfectly identified, and whom to invest with almost superhuman perfections, by magnifying their charms and overlooking their defects; in the sunshine of whose love be perfectly happy, but proportionally miserable without it.

Small.—Dislike the opposite sex, and distrust and refuse to assimilate with them; feel little sexual love, or desire to marry; are cold, coy, distant, and reserved toward the other sex; experience but little of the beautifying and elevating influence of love, and should not marry, because incapable of appreciating its relations and making a companion happy.

Approbativeness.

Qualities: Regard for character, appearances, etc.; love of praise; desire to excel and be esteemed; ambition; affability; politeness, desire to display and show off; sense of honor; desire for a good name, for notoriety, fame, eminence, distinction, and to be well thought of; pride of character; sensitiveness to the speeches of people; and love of popularity. Adapted to the reputable and disgraceful. Perversion—Vanity; affectation; ceremoniousness; aristocracy; pomposity; eagerness for popularity, outside display, etc.

Large.—Love commendation, and are cut by censure; are keenly alive to the smiles and frowns of public opinion; mind what people say; strive to show off to advantage, and are affable, courteous, and desirous of pleasing; love to be in company; stand on etiquette and ceremony; aspire to do and become something great; set much by appearances, and are mortified by reproach; with large Cautiousness and moderate Self-Esteem, are careful to take the popular side, and fear to face ridicule of others; yet, with Conscientiousness and Combativeness large,

stick to the right, though unpopular, knowing that it will ultimately confer honor.

Small.—Care little for the opinions of others, even of friends; are comparatively insensible to praise; disregard style and fashion; despise etiquette and formal usages; never ask what will persons think, and put on no outside appearances for their own sake.

Benevolence.

Qualities: Sympathy; kindness; humanity; desire to make others happy; a self-sacrificing disposition; philanthropy; generosity; the accommodating, neighborly spirit. Adapted to man's capability of making his fellowmen happy. Perversion—Misplaced sympathies.

Large.—Delight to do good; make personal sacrifices to render others happy; cannot witness pain or distress, and do what can well be done to relieve them; manifest a perpetual flow of disinterested goodness; with largee Adhesiveness (Friendship), Ideality, and Approbativeness, and only average propensities and Self-Esteem, are remarkable for practical goodness; live more for others than self; with large domestic organs, make great sacrifices for family; with large reflectives, are perpetually reasoning on the evils of society, the way to obviate them, and to render mankind happy.

Small.—Care little for happiness of man or brute, and do still less to promote it; make no disinterested self-sacrifices; are callous to human woe; do few acts of kindness, and those grudgingly, and have unbounded selfishness.

Calculation.

Qualities: Cognizance of numbers; ability to reckon figures in the head; mental arithmetic. Adapted to the relations of numbers.

Large.—Excel in mental arithmetic, in adding, subtracting, multiplying, dividing, reckoning figures, casting accounts, etc., in the head; with large perceptives, have excellent business talents; and large Locality and Causality added, excel in mathematics.

Small.—Are dull and incorrect in adding, subtracting, dividing, etc.; dislike figuring; are poor in arithmetic, both practical and theoretical, and should cultivate this faculty.

Causality.

Qualities: Perception and application of causation; thought, originality; comprehensiveness of mind; forethought and resource-creating power; adaptation of ways and means to ends. Adapted to nature's institutes, plans, cause, and effect. Perverted, it reasons in favor of untruth and injurious ends.

Large.—Desire to know the why and wherefore of things, and to investigate their laws; reason clearly and correctly from causes to effects, and from facts to their causes; have uncommon capabilities of planning, contriving, inventing, creating, being resourceful, and making the head save the hands; kill two birds with one stone; predicate results, and arrange things so as to succeed; synthetize, and put things together well.

Small.—Are deficient in reasoning and planning

power; need perpetual telling and showing; seldom arrange things beforehand, and then poorly; should work under others; lack force of idea and strength of understanding.

Cautiousness.

Qualities: Carefulness; watchfulness; prudence; provision against want and danger; solicitude, anxiety; apprehension; security; protection; avoiding prospective evils; the sentinel. Adapted to ward off surrounding dangers, and make those provisions necessary for future happiness. Perversion—Irresolution; timidity; procrastination; indecision; fright; panic.

Large.—Are always on the lookout; take ample time to get ready; provide against prospective dangers; make everything safe; guard against losses and evils; incur no risks; sure bind that they may sure find; with large Combativeness, Hope, and an active temperament, drive, Jehu-like, whatever is undertaken, yet drive cautiously; lay on the lash, yet hold a tight rein, so as not to upset plans.

Small.—Are rash, reckless, luckless; and with large Hope, always in trouble; with large Combativeness, plunge headlong into difficulties in full sight, and should assiduously cultivate this faculty.

Color.

Qualities: Perception, recollection, and application of colors, and delight in them. Adapted to that infinite

variety of coloring interspersed throughout nature. Perverted—Are over-particular to have colors just right.

Large—Can discern and match colors by the eye with accuracy; with Comparison large, can compare them closely, and detect similarities and differences; with Constructiveness, Form, Size and Imitation large, can excel in painting.

Small.—May tell the primary colors from each other, yet rarely notice the color of dress, eyes, hair, etc.; can not describe persons and things by them, and evince a marked deficiency in coloring, taste, and talent.

Combativeness.

Qualities: Resistance-opposition; defense; defiance; boldness; courage; spirit; desire to encouunter; self-protection; presence of mind; determination; get-out-of-my-way; let-me-and-mine-alone. Adapted to man's requisition for overcoming obstacles, contending for rights, etc. Perversion—Anger; contrary; fault-finding; contention; ill-nature; and fighting.

Large.—Are bold, resolute, fearless, determined, disposed to grapple with and remove obstacles, and drive whatever is undertaken; love debate and opposition; are perfectly cool and intrepid; have great presence of mind in times of danger, and nerve for encounter.

Small.—Are inert and inefficient; can accomplish little; never feel self-reliant or strong; and with large moral and intellectual organs, are too gentle and easily satisfied; with large Cautiousness, run to others for protection, and are always complaining of bad treatment.

COMPARISON.

Qualities: Inductive reasoning; ability and disposition to analyze, classify, compare, draw inferences, etc. Perverted—Is too redundant in proverbs, fables, and figures of speech.

Large.—Reason clearly and correctly from conclusions and scientific facts up to the laws which govern them; discern the known from the unknown; detect error by its incongruity with facts; have excellent talent for comparing, explaining, expounding, criticising, exposing, etc.; employ similes and metaphors well; put this and that together, and draw correct inferences from them.

Small.—Have a poor talent for drawing inferences; lack appropriateness in everything, and should cultivate this faculty.

CONJUGALITY.

Qualities: Monogamy; Union for Life; the pairing instinct; attachment to one conjugal partner; duality and exclusiveness of love. Perverted action—A broken heart; jealousy; envy towards love rivals.

Large.—Seek one, and *but* one, sexual mate; experience the keenest disappointment when love is interrupted; are restless until the affections are anchored; are perfectly satisfied with the society of that one; and should exert every faculty to win the heart and hand of the one beloved, nor allow anything to alienate the affections.

Small.—Have but little conjugal love, and seek the promiscuous society and affection of the opposite sex, rather than a single partner for life. Would incline to

regard an engagement as a kind of bondage, and would prefer to have no positive engagement until the near approach of the marriage.

Conscientiousness.

Qualities: Moral principle; integrity; perception and love of right; innate sense of accountability and obligation; love of justice and truth; regard for duty; desire for moral purity and excellence; disposition to fulfill promises, agreements, etc.; that internal monitor which approves the right and condemns the wrong; sense of guilt; penitence; contrition; desire to reform. Perverted —It makes one do wrong from conscientious scruples, and torments with undue self-condemnation.

Large.—Love the right as right, and hate the wrong because wrong; are honest, faithful, upright in motive; mean well; consult duty before expediency; feel guilty when conscious of having done wrong; ask forgiveness for the past, and try to do better in the future; with strong propensities, will sometimes do wrong, but be exceedingly sorry therefor; and, with a wrong education added, are liable to do wrong, thinking it right, because these propensities warp conscience, yet mean well; with large Cautiousness, are yet solicitous to know what is right, and careful to do it; with weaker Cautiousness, sometimes do wrong carelessly or indifferently, yet afterwards repent it.

Constructiveness.

Qualities: The making instinct; the tool-using talent; slight of hand in constructing things. Adapted to a man's need of things made, such as houses, clothes, and manufactured articles of all kinds. Perverted—It wastes time and money on perpetual motion and other futile inventions.

Large.—Love to make, are able and disposed to tinker, mend, and fix up, build, manufacture, employ machinery, etc.; show mechanical skill and dexterity in whatever is done with the hands; with large Causality and Perceptives, are inventive.

Small.—Are deficient in the tool-using capability; awkward in making and fixing up things; poor in understanding and managing machinery; take hold of work awkwardly and wrong end first; write poorly and lack both mental and physical construction.

Continuity.

Qualities: A patient dwelling upon one thing until it is done; consecutiveness and connectedness of thought and feeling. Adapted to a man's need of doing one thing at a time. Perversion—Prolixity, repetition, and excessive exemplification.

Large.—Give the whole mind to one thing in hand till it is finished; complete at the time; keep up one common train of thought, or current of feeling, for a long time; are disconcerted if attention is directed to a second object, and cannot duly consider either.

Small.—With activity great, commence many things, yet finish few; crave novelty and variety; have many irons in the fire; lack application; jump rapidly from promise to conclusion, and fail to connect and carry out ideas; lack steadiness and consistency of character; may be brilliant, yet cannot be profound; fly rapidly from one thing to another; have many good thoughts, yet they are scattered; and talk on a great variety of subjects in a short time, but fail sadly in consecutiveness of feeling, thought and action.

Destructiveness.

Qualities: Executiveness; severity; sternness; the destroying and pain causing faculty; harshness; extermination; indignation; disposition to break, crush and tear down; the walk-right-through spirit. Adapted to man's destroying whatever is prejudicial to his happiness; performing and enduring surgical operations; undergoing pain, etc. Perversion—Wrath; revenge; malice; disposition to murder, etc.

Large.—Impart that determination, energy, and force which remove or destroy whatever impedes progression; with Firmness large, give that iron will which adheres to the very last, in spite of everything, and carry points anyhow.

Small.—With large moral faculties, posses too tender a soul to enjoy our world as it is, or to endure hardships or bad treatment; can neither endure or cause suffering, anger being so little as to provoke only ridicule, and need hardness and force.

Eventuality.

Qualities: Memory of facts; recollection of circumstances, news, occurrences, and historical, scientific and passing events; what has been said, seen, heard, or once known. Adapted to action, or those changes constantly occurring around or within us.

Large.—Have a clear and retentive memory of historical facts, general knowledge, what has been seen, heard, read, done, etc., even in detail considering advantages, are well informed and knowing; desire to witness and institute experiments; find out what is and has been, and learn anecdotes, particulars, and items of information, and readily recall to mind what has once entered into it; have a good general matter-of-fact memory, and pick up facts readily.

Small.—Have a treacherous and confused memory of circumstances; often forget what is wanted, what was intended to be said, done, etc.; have a poor command of knowledge, are unable to swear positively to details, and should strenuously exercise this remembering power.

Firmness.

Qualities: Stability; decision; perseverance; fixedness of purpose; tenacity of will, and aversion to change. Adapted to man's requisition for holding out to the end. Perversion—Obstinacy; willfulness; mulishness; stubbornness; unwillingness to change even when reason requires.

Large.—Are set and willful; stick to and carry out

what is commenced; hold on long and hard; continue to the end, and may be fully relied upon.

Small.—With activity great, and the head uneven, are fitful, impulsive, and, like the weather-vane, shift with every changing breeze, and are ruled by the other faculties, and as unstable as water.

Form.

Qualities: Cognizance and recollection of shape; memory of countenances and the looks of persons and things seen; perception of resemblances, family likenesses, etc. Adapted to shape. Perverted—Sees imaginary shapes of persons, things, etc., as in delirium tremens.

Large.—Notice, and for a long time remember, the faces, countenances, forms, looks, etc., of persons, beasts and things once seen; know by sight many whose names are not remembered.

Small.—Have a poor recollection of persons, looks, etc.; often meet persons the next day after an introduction, or an evening interview, without knowing them; with Eventuality large, may remember their history, but not their faces; with Locality large, where they were seen, but not their looks, etc.

Friendship (Adhesiveness).

Qualities: Social feeling; love of society; desire to congregate, associate, visit, seek company, entertain friends, form and reciprocate attachments, and indulge the friendly feelings. When perverted it forms attach-

ments for the unworthy, and leads to bad company. Adapted to man's requisition for concert of action, co-partnership, combination, and community of feeling and interest, and is a leading element of social relations.

Large.—Are cordial, and ardent as friends; readily form friendship, and attract friendly regards in return; must have society of some kind; with Benevolence large, are hospitable, and delight to entertain friends; with the moral faculties large, seek the society of the moral and elevated, and can enjoy the friendship of no others; with the intellectual faculties large, seek the society of the intelligent; with Alimentiveness large, love the social banquet, and set the best before friends.

Small.—Think and care little for friends; dislike co-partnership; are cold-hearted, unsocial, and selfish; take little delight in company, but prefer to be alone; have few friends, and, with large selfish faculties, many enemies, and manifest too little of this faculty to exert a perceptible influence upon character.

Hope.

Qualities: Expectation; anticipation of future success and happiness. Adapted to man's relations with the future. Perverted, it becomes visionary and castle-building.

Large.—Expect much from the future; contemplate with pleasure the bright features of life's picture; never despond; overrate prospective good, and underrate and overlook obstacles and evils; calculate on more than the

nature of the case will warrant; expect, and hence attempt, a great deal, and are therefore always full of business; are sanguine, and rise above present trouble by hoping for better things in future, and though disappointed, hope on still; build some air-castles, and live in the future more than present.

Small.—Expect and undertake very little; with large Cautiousness, put off till it is too late; are always behind; may embark in projects after everybody else has succeeded, but will then be too late, and in general knock at the door just after it has been bolted.

Human Nature.

Qualities: Discernment of character; perception of motives; intuitive physiognomy. Adapted to man's need of knowing his fellow-men. Perverted, it produces suspiciousness.

Large.—Read men intuitively from their looks, conversation, manners, and walk, and other kindred signs of character; with Individuality and Comparison large, notice all the little things they do, and form a correct estimate from them, and should follow first impressions respecting persons; with full Secretiveness and Benevolence added, know just how to take men, and possess much power over mind; with Mirthfulness and Ideality large, see all the faults of people, and make much fun over them; with comparison large, have a talent for metaphysics, etc.

Small.—Are easily imposed upon by others; with large

Conscientiousness and small Secretiveness, think every body tells the truth; are too confiding, and fail sadly in knowing where and how to take things.

Ideality.

Qualities: Perception and admiration of the beautiful and perfect; good taste and refinement; purity of feeling; sense of propriety, elegance, and gentility; polish and imagination. Adapted to the beautiful in nature and art. Perverted, it gives fastidiousness and extra niceness.

Large.—Appreciate and enjoy beauty and perfection wherever found, especially in nature; give grace, purity and propriety to expression and conduct, gracefulness and polish to manners, and general good taste to all they say and do; are pure-minded; enjoy the ideal of poetry and romance.

Small.—Show a marked deficiency in whatever appertains to taste and style, also to beauty and sentiment.

Imitation.

Qualities: Ability and disposition to copy, take pattern and imitate. Adapted to man's requisition for doing, talking, acting, etc., like others. Perverted, it copies even their faults.

Large.—Have a great propensity and ability to copy and take pattern from others, and do what is seen done; describe and act out well.

Small.—Copy even commonplace matter with extreme

difficulty and reluctance, and generally do everything in their own way.

Individuality.

Qualities: Observation; desire to see and examine; cognizance of individual objects. Adapted to individual existence, or the thingness of things. It is the door through which most forms of knowledge enter the mind. Perverted, it makes the starer and the impudently observing.

Large.—Have a great desire to see, know, examine, experience, etc.; are great and practical observers of men and things; see whatever is transpiring around, what should be done, etc.; are quick of perception, and with large Acquisitiveness, quick to perceive whatever appertains to property.

Small.—Observe only what is thrust upon the attention, and are quite deficient in this respect.

Inhabitiveness.

Qualities: The home feeling; love of house, the place where one was born or has lived, and of home associations. Adapted to man's need of an abiding place, in which to exercise the family feelings; patriotism. Perversion—Homesickness, when away from home, and needless pining after home.

Large.—Have a strong desire to locate young, to have a home or room exclusively; leave room with great reluctance, and return with extreme delight; soon become

attached to house, sleeping-room, garden, fields, furniture, etc.; highly prized domestic associations, and are not satisfied without a place on which to expend his home instinct.

Small.—Care little for home; leave it without much regret.

Language.

Qualities: The expression of all mental operations by words, written or spoken, by gestures, looks, and actions; the communicating faculty and instinct in general. Adapted to man's requisition for holding communication with man. Perversion—Verbosity, pleonasm, circumlocution; excessive talkativeness, telling what does harm, etc.

Large.—Express ideas and feelings well, both verbally and in writing; can learn to speak languages easily; recollect words, and commit to memory well; have freedom, copiousness, and power of expression.

Small.—Have poor lingual and communicative talents; hesitate for words; speak with extreme difficulty and very awkwardly, and should cultivatae this faculty by talking and writing much.

Locality.

Qualities: Cognizance of place; recollection of the looks of places, roads, scenery, and the location of objects; where on a page ideas are to be found, and position generally; the geographical faculty; desire to see

places, and have the ability to find them. Adapted to nature's arrangement to space and place. Perverted, it creates a cosmopolitic disposition, and would spend everything in traveling.

Large.—Remember the whereabouts of whatever they see; can carry the points of the compass easily in the head, and are lost with difficulty either in the city, woods or country; desire to see places, and never forget them; study geography and astronomy with ease, and rarely forget where things are seen.

Small.—Are decidedly deficient in finding places, and recollect them with difficulty, even when perfectly familiar with them.

Mirthfulness.

Qualities: Intuitive perception of the absurd and ridiculous; disposition and ability to joke and make fun, and laugh at what is improper, ill timed or unbecoming; pleasantness; facetiousness. Adapted to the absurd, inconsistent, and laughable. Perverted, it makes fun on solemn occasions, and when there is nothing ridiculous at which to laugh.

Large.—Enjoy a hearty laugh at the absurdity of others exceedingly, and delight to make fun out of everything not exactly proper or in good taste, and are always ready to give a good joke as get.

Small.—Make very little fun; are slow to perceive, and still slower to return jokes; seldom laugh, and think it foolish or wrong to do so.

Order.

Qualities: Method, system, arrangement. Adapted to Heaven's first law. Perverted, it overworks, annoys others to keep things in order, and is tormented by disarrangement.

Large.—Have a desire to conduct business on methodical principles, and to be systematic in everything.

Small.—Have a very careless, inaccurate way of doing everything; take a long time to get ready; can never find what is wanted, and have everything in perpetual confusion.

Parental Love.

Qualities: Attachment to one's own offspring; love of children, pets, and animals generally, especially those young or small; adapted to that infantile condition in which man enters the world, and to children's need of parental care and education. This faculty renders children the richest treasure of their parents, casts into the shade all the toil and expense they cause, and lacerates them with bitter pangs when death or distance tears them asunder. It is generally much larger in woman than in man; and nature requires mothers to take the principal care of infants. Perverted, it spoils children by excessive indulgence, pampering, and humoring.

Large.—Love their own children devotedly; value them above all price, cheerfully endure toil and watching for their sake; forbear with their faults, and win their love.

Small.—Care little for their own children, and still less for those of others.

Secretiveness.

Qualities: Self-government; ability to restrain feelings; policy; cunning; adapted to man's requisition for controlling his animal nature. Perverted, it causes duplicity, double-dealing, lying, deception, and all kinds of false pretensions.

Large.—Incline to throw a veil over countenance, expression and conduct; appear to aim at one thing, while accomplishing another; love to surprise others; are guarded, politic, shrewd, managing, employ concealment, and are hard to be found out.

Small.—Are very transparent; seem to be just what and all they realy are; disdain concealment in all forms; carry the soul in the hands and face, and make way directly to the feelings of others, because expressing them so unequivocally.

Self-Esteem.

Qualities: Self-appreciation and valuation; self-respect; self-reliance; magnanimity; nobleness; independence; dignity; self-satisfaction and complacency; love of liberty and power; an aspiring, self-elevating, ruling instinct; pride of character; manliness; lofty-mindedness, and desire for elevation. Adapted to the superiority, greatness and exalted dignity of human nature. Perversion — Egotism; hauteur, forwardness; tyranny; superciliousness; imperiousness.

Large.—Put a high estimate upon self—sayings,

doings, capabilities; fall back upon your own unaided resources; will not take advice; are high-minded, and will never stoop, or demean self.

Small.—Feel diminutive; lack elevation and dignity of tone and manner; place too low estimate on self, and with Approbativeness large, are too anxious to appear well in the eyes of others; lack self-confidence; underrate self, and are therefore undervalued by others, and feel insignificant, as if in the way, or trespassing upon others; should cultivate this faculty.

Spirituality.

Qualities: Faith; prescience; the "light within"; trust in prophetic guidings; perception and feeling of the spiritual; interior perception of truth, what is best, what is about to transpire, etc. Adapted to man's prophetic gift and a future life. Perversion—Superstition; witchcraft; and with Cautiousness large, fear of ghosts.

Large.—Perceive and know things independent of the senses and intellect, or, as it were, by prophetic intuition; experience an internal consciousness of what is best, and that spiritual communion which constitutes the essence of piety; love to meditate; experience a species of waking clairvoyance, as it were "forewarned."

Small.—Perceive spiritual truths so indistinctly as rarely to admit them; are not guided by faith, because so weak; must see the fullest proof before believing; have no premonitions, and disbelieve in them.

Sublimity.

Qualities: Perception and appreciation of the Vast, Illimitable, Endless, Omnipotent and Infinite. Adapted to that infinitude which characterizes every department of nature. Perverted, it leads to bombast, and a wrong application of extravagant words and ideas.

Large.—Appreciate and admire the grand, sublime, vast and magnificent in nature and art.

Small.—Show a marked deficiency in this respect, and should earnestly cultivate it.

Size.

Qualities: Cognizance of bulk, magnitude, quantity, proportion, etc., ability to measure by the eye. Adapted to the absolute and relative magnitude of things. Perverted, it is pained by disproportion and architectural inaccuracies.

Large.—Have an excellent eye for measuring angles, proportions, disproportions, and departures therefrom. This faculty is necessary to artisans, mechanics, and all kinds of dealers, students, etc.

Small.—Are obliged always to rely on actual measurements, because the eye is too imperfect to be trusted.

Time.

Qualities: Cognizance and recollection of duration and succession, the lapse of time, when things occurred, etc., and ability to carry the time of the day in the head;

punctuality. Adapted to periodicity. Perverted, it is excessively pained by bad time in music and not keeping step in walking, etc.

Large.—Can generally tell when things occurred, at least the order of events, and the length of time between one occurrence and another, etc.; tell the time of day without time-piece or sun well, and keep an accurate chronology in the mind of dates general and particular.

Small.—Fail to keep the correct time in the head or awaken at appointed times; have a confused and indistinct idea of the time when things transpired, and forget dates.

Tune.

Qualities: The music instinct and faculty; ability to learn and remember tunes by rote. Adapted to the musical octave. Perversion—Excessive fondness for music to the neglect of other things.

Large.—Love music dearly; have a nice conception of concord, discord, melody, etc., and enjoy all kinds of music, and with large Imitation, Constructiveness, and Time, can make most kinds, and play well on musical instruments.

Small.—Learn to sing or play tunes with great difficulty, and that mechanically, without emotion or effect.

Veneration.

Qualities: Devotion; adoration of a Supreme Being; reverence for religion and things sacred; disposition to

pray, worship, and observe religious rites. Adapted to the existence of a God, and the pleasures and benefits experienced by man in worshiping him. Perverted, it produces idolatry, superstitious reverence for authority, bigotry, religious intolerance, etc.

Large.—Experience an awe of God and things sacred; love to adore the Supreme Being, especially in His works; feel true devotion, fervent piety, and love of divine things; take great delight in religious exercises; have much respect for superiority.

Small.—Experience little devotion or respect, and are deficient in fervor; care little for religious observances, and are not easily impressed with the worshiping sentiment.

Vitativeness.

Qualities: Tenacity of life; resistance of death; love of existence; dread of annihilation; love of life, and clinging tenaciously to it for its own sake.

Large.—Will struggle resolutely through fits of sickness, and will not give up to die till absolutely compelled to do so.

Small.—Like to live, yet care very little about existence for their own sake.

Weight.

Qualities: Intuitive perception and application of the laws of gravity, motion, etc. Adapted to man's requisi-

tion for keeping his balance. Perverted, it runs imminent risks of falling by venturing too far.

Large.—Have an excellent faculty for preserving and regaining balance, riding a fractious horse, skating, carrying a steady hand, etc.; easily keep from falling when aloft, or in dangerous places; are pained at seeing things out of plumb; judge of perpendiculars very exactly, and can safely walk on the edge of a precipice, etc.

Small.—Are quite liable to sea-sickness, dizziness when aloft, etc.; never feel safe while climbing, and fall easily.

EFFICIENCY.

1. Having the required knowledge or skill.
2. The power of producing results.
3. Keeping everlastingly at it—the only sure road to success.

OPPORTUNITY.

The man who will work for the satisfaction of work well done—for the joy of achievement—for him there are large opportunities.

FAITH

In order to be successful, a man must have faith in his ability to do what he undertakes, and in the thing to be accomplished.

THE NEW SALESMANSHIP

PREPARATORY

Personality in salesmanship is that force of mind which inspires belief.—

Salesmanship is the science and art of influencing the mind through the five senses. The number of senses that can be played upon depends on the line or article to be sold.

A wine merchant or salesman can play upon all five senses. The sense of Sight is played upon by the merchant's or salesman's manner, expression, gestures, and the color of the wine. The sense of Smell by the bouquet and flavor of the wine. The sense of Taste by the sweet or sour taste of the wine. The sense of Feeling by the generous warmth imparted by the wine to the Feeling. The sense of Hearing by the salesman's voice and argument.

The dry goods salesman can only play upon three of the senses. The Sight by himself and his samples. The Feeling or Touch by letting the buyer handle his samples, and Hearing by his voice and argument. The salesman selling from a catalogue, or who is selling anything of which no sample is shown, can only play upon Sight and Hearing, but to the expert this is enough.

Operating upon the sense of Hearing is by far the most important, for through the Hearing a salesman can persuade the mind that the other senses are mistaken in their perceptions, or that the consensus of opinion favors the direct opposite of what the mind conceives.

The style of argument and the kind of reasoning to be used must be determined by the proposition the salesman is selling, and by the character of the buyer. This will be shown when the different types of buyers, and the building of the sales argument is taken up. Continuing with the Hearing we still have the voice, and the pitch and tone of the voice used is often half the battle.

The voice can be trained to become so strong and forceful that its very force carries conviction to the mind of the hearer.

It can be trained to become so even, and matter-of-fact, that its very tone suggests truth, and the mind of the hearer unconsciously adopts the suggestion that the proposition is entirely as represented.

The voice can be trained to become so subtly soft and low that it deadens the resistance of the brain like a soothing narcotic.

I will give illustrations of the different voices, taken from my own experience, but it is first necessary to explain to the reader what the mind is and part of its workings.

The three regions of mind are Emotion, Intellect and Volition.

Emotion is any agitation of mind, or excitement of sensibility. It is what is commonly called the feelings.

Intellect is that region of the mind that receives and comprehends the ideas communicated to it by the senses. It is the region of the mind that understands and thinks.

Volition is the Will.

The emotions are the natural impulses of the mind. The intellect acts as a guard upon the emotions. If the salesman wishes to play upon the emotions he must first penetrate the intellect.

Any experienced buyer knows that to allow the emotion of interest to become intense soon leads to the emotion of desire, which unduly influences his judgment, and he guards against it as much as possible. A sale may be made by dealing with the intellect and will only, or it may be made by dealing with the intellect, emotion, and will.

When the intellect and will have been dealt with the different stages that the mind passes through for the accomplishment of the sale are these: Attention, sustained attention, approbation of judgment, consent of the will.

When emotion has been dealt with the stages are these: Attention, interest, desire, approbation of judgment, or disapprobation of judgment yielding to desire, consent of the will.

Attention is of two kinds—Spontaneous, or natural, which arises from the emotions; and Voluntary, or artificial, which requires an effort of the will. The difference between sustained attention and interest is that sustained attention must be intensified to become interest, which is an emotion.

Desire is an emotion and has no place in the sale made

through the intellect only, for the buyer that is ruled by the intellect says to himself, "I can use it," while the buyer that lets emotion rule him says to himself, "I want it."

To illustrate: The salesman, by a proper approach, has gained the attention of the buyer ruled by intellect. By his argument, and the proper pitch of voice and tone, he sustains attention. By the sound logic of his reasoning he convinces the buyer and gains approbation of judgment. This is where the buyer says, "I can use it," and if there has been no antagonizing influence consent of the will is voluntary.

But in the case of the buyer ruled by emotion the process of mind is different. The salesman, after gaining the buyer's attention, sees that he has an emotional character to deal with, proceeds to intensify attention into interest, turns interest into desire, and if approbation of judgment is gained, consent of the will is spontaneous. But if disapprobation of judgment follows desire (too expensive, etc.) the salesman again plays upon desire so strongly that disapprobation of judgment yields to desire and consent of the will is voluntary.

Where disapprobation of judgment occurs in the transaction with the buyer ruled by intellect the salesman must effect the sale by convincing the buyer that he has made an error of judgment.

It is of the utmost importance that the salesman should be able to discriminate between the two kinds of buyers, for if he makes a persistent attempt to play upon the emotions of the buyer ruled by intellect, this buyer

is likely to abruptly close the interview and refuse to entertain the proposition any longer. In the case of the buyer ruled by emotion, if the salesman does not understand his man, his mode of operation is often times too mild and no impression is made, or too strong at the start and he never gets beyond attention.

Where intellect holds sway, but the emotions can be reached, the salesman deals with intellect until he can slip in his opening wedge and then plays upon emotion.

How the buyer is read, how he is handled, the styles of argument to be used, and the voice to employ will all be taken up in their proper place and treated of thoroughly.

Now that the reader knows what mind is and part of its workings, I will proceed with the sense of Hearing and show the effect of the voice on the mind by illustration. One time in the month of January I was out selling goods for March delivery. I called upon a merchant who agreed to look over my goods. As we went over the line the numbers that the merchant liked were laid aside but not purchased.

Before we had proceeded very far I knew my man, for his free manner of selection, and his favorable comments on the goods were in direct opposition to his character. The end I foresaw would be a put-off.

After we had gone through the line the merchant pulled a pencil and memorandum book from his pocket and said, "I will take down the numbers I have selected and order later."

This I was prepared for, and augmenting an anger

that I felt in some degree into a very torrent of passion, I pushed the goods aside and turned abruptly upon the merchant with every fibre of my body quivering with intensity, and in a voice fairly ringing with passion I shouted, "No, sir! You cannot have those numbers. That is not the way I do business, for I cannot keep my employer's factory running by giving out numbers. You are merchant enough to know your own mind—your every appearance indicates it. You know that my goods are right, and that my prices are right—you have voluntarily said so several times."

I got no farther. The merchant started for the samples and I saw that I had conquered; but pretending I thought that he still wanted the numbers, I pushed him back in order to increase his desire, and make him fight for what he did not want before.

"What's the matter—what's the matter? I'll buy 'em—I'll buy 'em!" he cried.

"Very well," I replied, and proceeded to take his order. And I will add that I took many more orders from him after that.

The reason I used such a strong voice was that I saw the buyer was endowed with large cautiousness. The fact that he had gone over my line praising it as we went along, and then wanted to put me off, confirmed this. I also saw that the faculties that would resent such a voice were innocuous. Over-cautiousness is always attended by hesitation and indecision, and when played upon by fear the mind is instantly thrown into a panic, when unrestrained by the other faculties, and immediately mani-

fests itself by a desire to propitiate. I therefore operated with the idea that he would not get my goods unless he purchased them at once, first sensitizing his mind by throwing it into surprise, by my manner, expression, gestures, and voice, so that the idea would sink deeply, and have its full effect. The end justified my course of procedure. The reader will also see a little flattery in my argument to the buyer, which, when delivered in the voice and manner I used is always effective when the emotions have been touched.

By explaining at this stage why I used this voice and manner is encroaching upon another part of the work, but it is necessary, for some readers may think that I risked a punch on the eye, which no verbal argument would have overcome.

The next illustration will be of the even and matter-of-fact voice.

At one time I was engaged in marketing an expanding syringe. The instrument was scientific in its construction, simple in its workings, and artistic in appearance, but rather suggestive.

After handling the instrument a time I conceived the idea of putting it on demonstration and suggested this to the inventor and owner, who met the idea with enthusiasm.

I presented my proposition to the buyer for one of the largest department stores in Chicago, who, after considering it, was impressed and requested me to see the merchandise manager, whose consent must first be gained.

Going to the merchandise manager's office I went over the proposition with him, first telling him that I had already gone over it with the buyer, who thought very favorably of it.

I then explained and demonstrated the instrument thoroughly and when through handed it to him for a closer inspection. After handling, working, and considering the instrument for a few minutes he turned to me and said, "It's a rather suggestive thing to demonstrate, isn't it?" This I was prepared for and replied in a most even and matter-of-fact voice, "No; a thing is only as you assume it to be. If there is that in the demonstrator's manner or voice that implies that it is suggestive it is accepted as such; otherwise it is accepted in the spirit intended. On that score you need have no fear, for we will furnish a very clever lady demonstrator, who not only knows the instrument thoroughly, but who knows human nature as well, and who, by her tact and skill in handling the women with whom she comes in contact, will make a large number of sales and lay the foundation for a future money-maker for the department. When you consider the instrument from a hygienic standpoint you will see that it is really a necessity and should be in every home. False modesty should not be allowed to stand in its way."

He thought a few moments, then finally said, "Well, I think it will be all right. You can tell Mr. Blank that I say he can go ahead."

And so permission for the demonstration was secured. But had there been any excitement or undue emphasis in

my voice the battle would have been lost, for he was a man who thinks—not feels.

Next we have the low voice.

One day I entered the sample room of the house where I was employed as a salesman and found one of the proprietors engaged in an attempt to sell one of my customers some goods.

I shook hands with the customer, and after a few pleasant words, drew back a little, signifying that I did not wish to interfere.

They started again from where they had left off and were soon in a hammer and tongs argument, the proprietor affirming that the goods and prices were right, and the customer denying it. I let them go on until they were worked up to a white heat of excitement, then I took a hand. Leaning slowly but deliberately between them I picked up one of the samples and laid it before the customer. Keeping my eyes fixed intently upon the sample, I stroked it a few times in a caressing manner and said in a low, soothing voice, "John, there is a number that you shquld not pass up."

One who does not understand the mind and its workings cannot imagine the effect my action produced. The proprietor's jaw dropped, and he sat staring at me in open-mouthed amazement, his eyes nearly popping from his head.

The buyer gave one uneasy movement in his chair, then sat perfectly still with his eyes riveted on the sample in a fascinated gaze.

My unexpected interference, and the sudden transition

from a loud and antagonizing voice to one that was softly low and soothing, so shocked his mind with surprise that he was utterly incapable of thought. His mind was so highly sensitized that my suggestion sank into his brain like a ten-penny nail hit by a pile-driver.

Continuing in the same voice I said, "From what I know of your trade I am sure that it will be one of your best selling numbers of the season. We will lay it aside, shall we?"

The buyer nodded. He was still incapable of speech. And so I went on, in the same voice, selecting such numbers that I knew he could use, and suggesting that he should take them, and meeting with his acquiescence each time until the order was booked.

In justice to myself I must say that I did not overload the buyer.

The reader will be surprised to learn that the art practiced upon this man was hypnotism, although I did not know it at the time.

Many may say that it was unscrupulous to take advantage of the buyer when I saw that he was influenced, but in justification I will say that there is not an honest business man today that can deny that he has at some time or other lowered his voice when in the heat of an argument and he saw that the battle was going against him. His object was to influence the other man.

So was mine, only that my method of operation was stronger. And in further justification I will ask, "What is value?" Many of our richest men could answer, "Value is the least you can give for the most you can

get." I will simply say that value is a matter of opinion. And it is the business of the salesman to influence opinion. That is what he is paid for.

The prices of goods are marked according to what is paid for them, and according to what they will bring.

I am not digressing, but have simply led up to the subject of hypnotism for the purpose of showing that it is necessary to know what it is when dealing with the five senses.

We all know of the young salesman who starts out on his first trip and makes a wonderful success, but when he makes his next trip falls down most miserably. This is due to the fact that he had so influenced his buyers by the intensity of his faith, that was founded on ignorance, and by his unbounded enthusiasm, that the buyers heard, saw, and felt only as the salesman did. The salesman, not knowing that he had the buyer so strongly influenced, naturally wished to sell as much goods as he could and suggested that the buyer should purchase everything that the salesman liked. The result was that the buyer was overloaded, the salesman's chances for future business killed, and a customer lost to the house that the salesman represented.

I will now tell you what hypnotism is so that you can guard against this.

Hypnotism is nothing more than the power of an idea, whether it is caused by the operator holding up a small or glittering object and telling the subject to concentrate all his attention upon the object and think of nothing but sleep; whether it is caused by the operator looking his

subject in the eyes and making passes with his hands, or whether the mind is subjected to positive sense delusions while in a waking state. That is the mind thinks it sees something, but is mistaken in its perceptions. When the operator makes passes with his hands in putting the subject to sleep the passes are auxiliary only in this way—they suggest to the subject that the operator is throwing a hypnotic or magnetizing fluid into his mind that will force him to succumb. If the subject attempts to stem the force of the idea by exercising his will he only succumbs the more readily, for it increases his self-attention and he realizes his impotence, which immediately demoralizes his power of resistance and he succumbs accordingly. It is not a matter of will with the subject, it is a matter of knowledge. In order to keep from being hypnotized he must keep his mind off the idea.

With the operator it is a matter of will and a knowledge of the workings of the mind when influenced by suggestion, or in its true sense, by the power of an idea. Hypnotization is produced by strong and sudden excitement of the senses, by fixing the attention upon an idea or object, by limiting the involuntary movements of the subject so as to keep his blood quiet, and by limiting the field of consciousness so that only one sense is in action and the others are all unconscious. They all tend to produce inhibition which will be taken up in the next chapter.

I will now illustrate how the senses are deluded. We will suppose that an ignorant or rascally salesman is selling cloth made of cotton, but which resembles wool. The salesman approaches a merchant, who gives him at-

tention. The salesman commences his selling talk to the effect that his goods are wool, avoids antagonism and keeps the blood of the merchant quiet. The merchant has a belief that the goods are cotton, but continues to listen to the salesman who talks so positively and convincingly that the buyer's senses of Sight and Touch succumb to the sense of Hearing, and he believes that the goods are wool. He is then under the influence of a sense delusion.

Then again we have the other side of the case. A buyer's Hearing may be defective. His sense of Sight may be impaired. He may be afflicted with color blindness, or he may not observe closely. His senses of Taste and Smell may be impaired so that he cannot distinguish differences in odors or tastes, and his sense of Touch may have become blunted so that he cannot detect slight differences of feeling.

When such is the case and a buyer forms a wrong opinion of a thing he is then deluded by his senses, and a salesman suffers accordingly unless he reverses the opinion by inhibition.

More will be said of the senses farther on, but we will first see how the blood is controlled.

THE PHYSIOLOGICAL EFFECT OF THE POWER OF AN IDEA.

We have now seen that the Emotion, Intellect, and Will are influenced through the five senses by the powers of an idea.

But the power of the idea may be affected by the state of mind or mood that the buyer is in.

The skillful salesman knows this, and he therefore prepares, or sensitizes the mind for the proper reception of the idea.

This he does by playing upon the nervous system and the heart beat, or circulation of the blood, which is governed by the nervous system. That is he uses an idea that will create an emotion, or thought, and change the trend of existing thought.

The quantity of blood that is circulating in the brain, which is the organ of mind, determines its capability or capacity of receiving or comprehending an idea. A brain that has been stirred to rage fills with blood and restrains heart action: it is almost impossible to reason with it until the blood has subsided.

But when the brain has been acted upon by strong surprise the effect is just the opposite—the blood leaves the

brain, the existing ideas vanish, and the mind being practically blank is open to another idea, which on this account impresses itself on the mind with powerful force. When the mind is practically blank it is highly sensitized. We therefore see that there are emotions which augment or accelerate the action of the heart, and consequently increases the circulation of the blood, and also emotions that check or inhibit the action of the heart, which decreases or stops the circulation.

Following is a classification of the thoughts and feelings that accelerate or inhibit the action of the heart, acting either mildly or strongly.

Accelerating.

All of the following quicken the action of the heart:

Rage.	Disdain.	Love.
Anger.	Contempt.	Tender Feeling.
Determination.	Disgust.	Devotion.
Indignation.	Avarice.	Ambition.
Obstinacy.	Pride.	Flattery.
Ill-Temper.	Vanity.	Shame.
Affirmation.	Interest.	Admiration.
Negation.	Desire.	Rapture.
Sneering.	Joy.	Passion.
Defiance.	High Spirits.	Rapid Thought.

Sympathy is both accelerating and restraining.

Excitement is accelerating, but when opposed to excitement it restrains or checks.

Inhibiting.

All the following check the action of the heart:

Surprise.	Astonishment.	Wonder.
Arrested Attention.	Impotence.	Moroseness.
Fear.	Anxiety.	Reflection.
Horror.	Grief.	Meditation.
Patience.	Dejection.	Propitiation.
Guilt.	Low Spirits.	Sulkiness.

The following will illustrate how the ideas work:

We will suppose that a salesman has said something that causes the buyer to become angry. The ideas expressed by the salesman enter the buyer's ears and are carried by their nerves to the brain. They cause thoughts, and the impressions are perceived by the spinal cord, which passes the impression on to the sympathetic nervous system. The impression causes the nerves to become limp and their control over the blood vessels is gone; the blood gathers in the vessels and rushes to the brain. Now this condition can be sustained by repeated stimulation; that is, the salesman continues to anger the buyer. By repeated stimulation of the accelerating nerves a fairly vigorous heart, especially one without much blood, may be reduced to a very feeble condition; that is, the action of the heart becomes exhausted and is no longer capable of pumping the blood to the brain. This condition is known among salesmen as tiring out a buyer, but is the worst way of selling goods that there is for the buyer

knows that he has been forced into buying, and will avoid the salesman thereafter. The proper way to handle anger is to use an inhibiting idea. This idea affects the Vagus nerves and these nerves put a brake on the heart, and the blood flows back to the heart again.

If the inhibiting idea is Propitiation the brake is applied gently and the blood gradually subsides. But if the inhibiting idea is sudden and strong Surprise the effect is instantaneous. The brake is applied so strongly that the blood rushes from the brain back to the heart.

If a salesman has used a low voice when presenting the inhibiting idea he can sustain the inhibition by quickly following up the idea with the other strong ideas in the same low voice. This is called rhythmical stimulation.

But if the salesman has used a strong voice he must follow up his idea with other ideas in the same strong voice until he sees that the buyer is yielding.

Anger, however, should be avoided.

The proper way to control the blood when making a sale is this: create attention, which is a slight inhibition, by stating something that will cause a slight surprise or wonder, or state something that will cause reflection. This will produce a mild inhibition. The next statement you make should be interesting and suggestive. This will release the inhibition, and the action of the heart is accelerated. Interest is then established and the blood is aroused in the salesman's favor.

When interest is aroused it is only necessary to keep the blood going in the salesman's direction by properly

guiding the mind. How this is done will be shown when the building of the sales argument is taken up. Remember this: that the more vigorous the action of the heart, the more rapidly it is beating, the easier it is to bring about inhibition.

The more slowly or weakly the heart is beating, the more readily it responds to acceleration. Either condition can be sustained by rhythmical stimulation, but when the stimulation ceases the action of the heart is reversed.

The professional hypnotist uses inhibition to put his subject to sleep. The fool salesman uses inhibition to overload his buyer, for the blood is kept away from his brain and he is unable to protect himself. The true salesman uses inhibition simply to create attention.

Inhibition and acceleration are used by every salesman in the world. Those who do not know how the blood is controlled use them unknowingly. Those who do know how the blood is controlled use them scientifically.

When determining the kind of idea to be used the salesman is guided by the state of mind or mood that the buyer is in, and by his knowledge of the faculties of the brain, their peculiarities and workings. The location of these faculties is shown in the chart at the front of the book; further on is shown how the different faculties work and how they are influenced, and in the Appendix the faculties are analyzed and explained.

The expression of the face will tell a salesman whether a buyer is emotional or intellectual. The expressions most common to the emotional are these:

Emotional.

Mild—Sympathetic, kind, some yielding.

Medium—Equable, but not deeply so.

Sensitive—Animated, impulsive, mobile, excitable, irritable, irascible.

Blasé—Surfeited, worldly-wise.

Intellectual.

Where the intellect strongly predominates it is characterized by quiet and deliberate thought, speech, and actions. It rarely acts on impulse. The face is calm and expressive of deep thought.

Where an intellectual buyer possesses great nervous energy there is a constant conflict between emotion and intellect and while the intellect prevails in most cases it sometimes yields to emotion. The expression of the face is strong, determined, and marked by repression. Do not form the opinion however that the intellectual is never influenced by his emotions, for he often is. But the ordinary business proposition is not of a nature that will allow the employment of ideas which will arouse anything much stronger than inclination in this type.

When inclination is gained it is only necessary to properly guide the mind to effect the sale. This will be shown in the building of the sales argument. In handling the emotional, the mild requires a low voice, mild stimulation.

The medium requires an even matter-of-fact voice until his equability changes. If it changes in your direction

slightly raise your voice to give emphasis. If it turns against you drop your voice in an explaining tone.

The sensitive requires either low or strong voice, according to conditions. If mild stimulation proves ineffectual suddenly change to the strong and continue until they yield, then gradually drop lower.

The blasé require rather strong stimulation, for their nervous susceptibility has become somewhat blunted. The intellectual requires an even, matter-of-fact voice, slight emphasis if any.

The intellectual of strong nervous energy requires an even, matter-of-fact voice. If he interrupts let him finish, then proceed in the same voice, with a strong argument, raising a trifle in your voice as you go along. The degree of femininity in a man is an extremely good guide in determining his nervous susceptibility. The more femininity in a man the greater his nervous susceptibility.

Individuals possessing fine hair, thin skin and large, round, wide-open eyes are sensitive.

We will now consider the forty-two faculties of the brain. These faculties are analyzed and explained in the Appendix. When the salesman has studied these he will possess an insight into human nature that he never deemed possible. The senses of Sight and Hearing affect all of the faculties.

The sense of Touch affects all of the faculties except Color. A blind man has the use of all of his faculties but Color, and is guided by his sense of Touch. You would hardly think that a deaf and dumb salesman could sell to a blind man, but he can by guiding the blind man's

fingers over his alphabet. The senses of Taste and Smell primarily affect the faculties of Alimentiveness, Acquisitiveness, Cautiousness, and Combativeness.

If the reader will remember, it was stated farther back that when the action of the heart is strongly inhibited by surprise the blood rushes from the brain back to the heart.

But all of the blood does not leave the vaso moter center of the brain, for then unconsciousness would ensue, as in the case of a woman who faints from some strong and sudden emotion. Instead, there is some blood retained in the brain and it is directed to the faculty or faculties affected by the idea used by the salesman.

To illustrate:

I enter the store of a merchant whom I have never seen before. As I approach the merchant his faculty of Human Nature or Individuality forms an opinion of me. The opinion is rather inclined to be against me and his faculty of combativeness is slightly aroused. I see this from the expression of his face. I also see that he has rather large Cautiousness, and that his Combativeness and Destructiveness are not very strong.

When introducing myself I do so in a manner intended to propitiate him. But he is not to be propitiated, so I see that I must draw the blood away from Combativeness by surprise. I continue however to be propitiating but am gradually working up a passion, which I hide. At last I appear to see that he is most unreasonable and suddenly straightening up my body with a sudden jerk, throwing the intensity of my feeling into my expression and voice,

I shout at him strongly and positively to the effect that my proposition is of a nature to demand attention. He gives a start, and his eyes open wide at the unexpected attack. Cautiousness is aroused and is given the blood necessary for it, but the action of his heart is inhibited and the blood flies from Combativeness and his other faculties back to the heart, and his brain is sensitized. I instantaneously follow up my attack and tell why my proposition demands attention and the blood is directed to Causality and Comparison. I waste only a moment here, but direct the blood to the faculties that my proposition affects. Say that they are Form, Size, Color, Weight, and Constructiveness. I dwell on each faculty clearly and positively, and lead from one to the other until I have analyzed my proposition. Never by a word or look have I created a suggestion that will divert the course of his blood from the direction I am guiding it in. When through with the details of my proposition I direct the blood to Acquisitiveness, and suggest so strongly that the merchant should have my proposition that when I am through talking the first words he utters are, "How soon can I get it?" Making a sale is a game like chess or checkers. Each game has its rules. It has its openings and their variations. It has its positions where a skilled or scientific player can force a win. It has its endings which result in a win, loss, or draw.

A scientific player who has resolved to win and not experiment will select an opening in which he is thoroughly versed, and any move that his opponent makes he is prepared for. He guides the game into the strongest

variation of the opening, and every move that his opponent makes can only be a defense, for the variation will allow of no attack from his side. There is an opening in the game of checkers called "The Old Fourteenth." In this opening is a variation that leads up to a move for the black side that looks to be the strongest move on the board. If the black side makes this move its game is utterly demoralized, for it allows white to play what is known among book players as the "big shot," which wins with ease. So it is in salesmanship. A salesman can lead up to a point where he causes the buyer to make an assertion that he is prepared to overcome most convincingly, and the buyer's game is lost. A salesman is like a player who has discovered a new variation and is showing it to another player. As he makes each move he explains or analyzes why this move is made. He has so thoroughly analyzed the variation that he cannot be contradicted, or if he is, he is prepared to show that he is right. When he has played the game to its end he has convinced the other player that the variation is a win. And so it is in salesmanship; the salesman convinces his buyers that what he is selling is a money-winner. The buyer's brain is the board upon which the game is played. The faculties of the brain are the men. The salesman moves or guides the blood to these faculties as he would chess-men or checkers on a board. It all lies in your selling argument, and you will see how to build your selling argument farther on. We now see that in dealing with a buyer we are dealing with the faculties of the brain. The predominance of some of these faculties tends to produce

peculiarities and idiosyncrasies, which result in types and characters. In this chapter it has been the purpose to reduce psychology to a working basis; that is, reduce it as much as possible to material form, so that the salesman will cease to regard mind in the abstract and consider it in a concrete and tangible form that will enable him to deliberately plan his mode of attack in a truly scientific manner. Farther on in the book is given an elaboration of the subject discussed in this chapter.

Regarding the matter treated here, as well as in following chapters, it should be said that after the salesman has digested and assimilated the ideas set forth he will seldom have to recur to them in the process of making a sale, for they will have become a part of himself, and he will unconsciously, or instinctively, use them at the right time. Were this not so, the book would be of little value to him, for it would be almost impossible to think of a book while trying to make a sale.

It has often been said that when a salesman has sized up his man correctly his sale is practically assured. But this is only partly so, for while the salesman may know the kind of man he is dealing with, he may not know how to handle him. This will all be explained farther on.

These types and characters, and the way to handle them, will be taken up later, but we will first take up the twenty weapons of attack that a salesman has at his command, beginning on the opposite page.

THE TWENTY WEAPONS OF ATTACK.

These are as follows:

Knowledge.	Interest.	Inducing Forgetfulness.
Suggestion.	Enthusiasm.	
Voice.	Desire.	Wonder.
Manner.	Sympathy.	Surprise.
Expression.	Self-Attention.	Imitation.
Gestures.	Persuasion.	Fear.
Excitement.	Propitiation.	Persistence.

KNOWLEDGE.

This weapon gives a salesman the ability to size up a buyer and conditions. It gives him the ability to handle a buyer by knowing the mind and its workings. It is the result of Intuition, Observation, Study, and Memory. It gives self-control because it knows the mind and its workings, and is not easily diverted or surprised from its course. It gives self-confidence because it knows itself and its ability, and its superiority over untrained minds. It gives practicalness because of its ability to size up men and conditions.

But knowledge must be systematized so that it is ready

for instant use, and must not depend upon inspiration for its efficiency. Then knowledge is power.

Suggestion.

A suggestion is any idea, image, or object, in fact anything, that presents itself to the mind through the five senses and causes thought, emotion, action, or all three. An auto-suggestion is an idea that arises within the mind itself and is caused by a recurrence of memory, prompted by suggestion. Suggestion is a simple thing, yet so extremely subtle that none can tell definitely to where it may lead. A suggestion will work either for or against a salesman when he uses it, and it requires a knowledge of conditions and men to determine how to use a suggestion. To illustrate: A certain article in the line that a salesman is handling is becoming scarce and the price is likely to advance. In such a case a salesman should protect his customers. All buyers expect this, but many do not appreciate it until it is too late.

The salesman calls upon one of his customers who is endowed with large Firmness, Self-Esteem, and Combativeness. Upon entering the store the salesman sees that the customer is nearly sold out of the article. After a little preliminary talk with the customer he brings up the subject and says: "I see that you are nearly sold out of (here he names the article). I am glad that I noticed it for the stuff is selling so rapidly that it is becoming scarce. I received a letter from the house telling me not to push the article, and to confine it to our regular customers, for there is likely to be an advance in price. If

you will allow me, I would like to suggest that as the article is a seller with you it will be good policy to double up on the quantity this time, or if you think you can use it, take even more."

Now this is a customer who cannot be driven, but has to be led. The suggestion will therefore act favorably for the salesman, and the chances are that the customer will order at least double the quantity of his original order. But if a customer is weak-kneed and timid he has almost to be driven to do things that are for his own good. The suggestion just used is not strong enough for him. It would only elicit the reply that the same quantity he had before would be enough, and that he did not like to carry too much stock.

You leave off the sugar coating on his pill and let him taste a little of the bitterness, in a manner something like this: "I see that the last lot of (here he names the article) is nearly all gone. You had better prepare yourself, for the house writes me that the stuff is getting scarce and that the price is likely to advance."

"Do you think so?" asks the customer.

"I know it. Everybody is laying in as much as they can handle, and it won't be long before the market will be clear of it. Then you can't get it for love nor money."

"Well, I think I had better take a little more this time," answers the customer.

Every word and every act uttered or committed by a salesman has a favorable or unfavorable effect upon a buyer's mind, and unless the salesman is proceeding systematically and with judgment he is very apt to do or say

something that will be detrimental to him. Suggestion lies in the salesman's conduct as well as in the selling argument.

A salesman may be too suave and oily, and may grease his buyer so that he slips through his fingers. The suggestion is that the salesman is too smooth. A salesman may be timid and his manner will suggest a lack of merit in his goods, or he would have more self-confidence.

Again, the salesman may be too aggressive, and the suggestion may be that it is aggressiveness and not merit that is selling an article, and aggressiveness in many cases will suggest combativeness and an attack upon self-esteem.

Again, aggressiveness may suggest merit in an article or proposition because of the extreme confidence suggested by aggressiveness.

It is merely a matter of knowing the type of buyer you are dealing with, which will soon be taken up. A mere hint, intimation, or insinuation, suggests influence, coercion, or maliciousness, as well as the idea it embodies. They must be well veiled when used.

There are two kinds of suggestion—direct and indirect.

Direct suggestion is a direct statement, or act of reasoning, presented to one or more of the faculties of the brain and contains an obvious meaning or truth.

Indirect suggestion is the presentation of an idea, or ideas, to one or more of the faculties with the intention of influencing another faculty by implication, intimation, hint, insinuation, or innuendo.

Either of the two kinds of suggestion will cause an

idea or chain of ideas that will produce an act of the will.

As you go along through the book you will find many forms of suggestion, especially in the figures of speech. In the analysis of the sales argument you will find the secret of the power of an indirect suggestion.

Before using a suggestion ask yourself these questions. What does he know about what I am going to say, or show him? How will it affect him, or how will he feel about it? How shall I present my ideas?

When using suggestion always consider how it will affect the faculties of Self-Esteem, Approbativeness, Conscientiousness and Cautiousness. If you do not attack any of these three faculties you will not arouse Combativeness, and with Combativeness quiet there will be no antagonism.

The Voice.

The three winning voices are the strong and incisive, the even and matter-of-fact, and the mild but positive. They all suggest confidence and a thorough knowledge of the proposition in hand. This confidence is contagious. The tone may be positive, sincere, ingratiating, hinting, insinuating, interrogative, propitiating, doubtful, and indifferent. The last three should only be used in propitiatory circumstances.

In most cases the voice should be firmly positive, whether strong or mild. But all depends upon the type of the buyer. On the voice mostly depends the ability to inhibit or accelerate the action of the heart, and its consequent action on the brain, and the sustaining or moderating of the effect produced.

The Manner.

When approaching a buyer the salesman's manner generally determines whether he will receive spontaneous or voluntary attention. If spontaneous the buyer will be in sympathy with the salesman. If voluntary he will be rather indifferent, or mildly or strongly combative toward the salesman.

When combative he must be propitiated or surprised in order to draw his attention from the restraining factor. Strong combativeness toward a salesman is often an aid to him, for the action of the heart is accelerated and is easily inhibited by surprise.

When using strong inhibition a sudden straightening of the body increases the effect.

To sustain very strong inhibition the salesman's entire body should tremble and shake with emotion. When you have a buyer in this condition plant your strongest idea at once in your most positive manner and voice. Do not allow yourself to relapse into a quieter manner before planting the idea, for the brake on the heart will be released, the blood will rush to the brain, and your idea will meet with opposition.

When a buyer is seated a slight inclination and stillness of the body is best, for it does not distract attention.

Expression.

The expression must always change with the voice and the thoughts or feelings that the voice expresses. It should express a language as eloquent as the voice.

It may be positive, persuasive, interrogative, ingratiating, conciliatory, enthusiastic, and in fact it may display every emotion that is felt by man. Be careful of the use of the interrogative expression for it suggests to some buyers that you are trying to read their mind, and they will be on guard. The eyes are the most important in creating expression, for the eyes are the windows of the soul, and the soul speaks a language that all can read.

Gestures.

Gestures suggest and express feeling, and greatly help to enforce an argument or opinion. They must be suited to the subject and be in perfect harmony with the voice, manner, and expression. Never swing your arms wildly outward, for it suggests that you are talking to the whole world, and scatters attention. Short, sharp jerks of the fore-arm directly in front of the body concentrates attention and adds intensity. Some salesmen use a gentle, wavy motion of the hands to add effect to a pleasing idea, but personally I have found it best to depend upon the strength of the idea, the voice, and expression.

Excitement.

This weapon should be used to overcome indifference and lead up to interest and enthusiasm; or to inhibit excitement that is directed against you.

If you have noticed you will remember that when a person has become excited at you, and you become excited in turn, his excitement will calm down unless he is of a fighting disposition. Do not become excited with such.

Sudden excitement directed at a calm mind that is indifferent toward you is a farce. Avoid it. Begin gently and work up by degrees.

Interest.

When a buyer has become interested in a proposition he has given the salesman a hold upon him that cannot be shaken off, if the salesman keeps his blood properly directed. It all lies in the selling argument.

Enthusiasm.

This is a great weapon of suggestion, for enthusiasm is contagious after the action of the heart has been accelerated.

The emotional buyer readily responds to strong enthusiasm, but the intellectual requires suppressed enthusiasm. Feigned enthusiasm deceives no one. You must feel it before you can arouse it in others.

Desire.

In dealing with desire a salesman is dealing with two aversions proper,, and two desires proper. The aversions act against the salesman, and the desires for him.

The first aversion is where a buyer has an impulse to avoid the proposition that the salesman is handling, and which forms a belief that the proposition will not prove successful, and will cause loss instead of gain. The second aversion is where a buyer wishes to retain what he has and does not wish to change to something else. The first desire is where a buyer longs or wishes for what he has not, and which the salesman has.

The second desire is where a buyer wishes to change from what he has for something better.

The first desire overcomes the first aversion, for the salesman has his argument ready to prove that his proposition is successful, and will create profit, not loss. He proves and demonstrates this so thoroughly that he creates a longing in the buyer's mind for what he is selling.

The second desire overcomes the second aversion, for a salesman can cause a buyer to become dissatisfied with what he has, and make him wish to change to something better. This the salesman does by showing that his goods are more attractive, are of a better quality, or of superior workmanship, and will show greater profits through increased sales or lower price.

The power to create desire lies in the proper presentation of the selling points.

All lines have some excuse for their existence; they are based upon an idea. But some lines are poor excuses; they are based on mistaken ideas.

Sympathy.

When a buyer has given spontaneous attention he is in sympathy with and has created a favorable opening for the salesman.

Sympathy will in some cases cause a buyer to purchase a thing he does not desire, or has not much use for. If a salesman wishes to take advantage of this it is better to let well enough alone and not try to impress the buyer with value or desirability, as it destroys the original intent

and will in many cases cause the loss of the sale. The buyer wishes to give, more than to buy, and finds a pleasure in doing so.

Self-Attention.

Self-attention is holding a buyer up before his own eyes with the intention of weakening his opposition to the proposition in hand. It will often descend to flattery, or resort to ridicule. It may often run on into propitiation, sympathy, persuasion, and induce forgetfulness. It is a strong weapon used against some types of the emotional.

Persuasion.

Persuasion lies in the proper presentation of a proposition, in the manner, expression, and voice. It lies in overcoming all opposition, and completely reversing a buyer's mind, or guiding it when you have a favorable start. Persuasion may be advice, coaxing, an emotional appeal, or it may be a strong current of logic that washes away all opposition and leaves the mind free from all but one idea. And this idea is that the buyer wants, or can use, the proposition the salesman is selling. This is the hypnotism of salesmanship.

Inducing Forgetfulness.

Inducing forgetfulness of an idea that is inimical to the prospects of the salesman is one way of overcoming an obstacle. This is done by sudden inhibition, or by adroitly changing the subject and gradually leading up to another variation of the proposition.

This should only be resorted to when a stronger idea cannot be used to overcome the one opposed, or when the mind is not favorable to reason.

Propitiation.

Propitiation may be used when a salesman has purposely wrought up the buyer in order to stir his blood into action. The salesman should never stir up a buyer who is obstinate or short on benevolence, for these do not forgive very easily.

Propitiation is often a very effective weapon when used to conciliate a buyer who considers himself wrongly used. I have often made a firm friend and lasting customer in this way.

Ordinarily a salesman should have his subject so well in hand, and judge the character of his buyer so well, that the trend of the sale will not run into a channel that will require propitiation.

Wonder.

Wonder creates natural attention and fixes the mind on the proposition in hand to the exclusion of everything else.

When the salesman has created wonder in the mind of the buyer he has an excellent start and, unless something antagonistic is interposed, should be able to guide the mind through the different stages that lead to the consummation of the sale.

Surprise.

Surprise is the most efficient weapon of all. When the

mind is surprised it is highly sensitized and the idea that the salesman wishes to introduce sinks into the brain with such force that, if the salesman is skillful and follows up his advantage, he has practically won his battle.

If the reader will consider the effect that surprise has had upon himself, or upon others whom he has seen surprised, he will appreciate the efficiency of this weapon far better than any description I can give.

The expression, "I was so surprised that you could have knocked me down with a feather," is an apt description of this condition.

When using surprise the salesman should quickly follow up his advantage to prevent combative ideas from arising in the mind.

Imitation.

The idea of imitation is used by the salesman to influence a buyer by what his competitors, or others, are doing. When used upon a buyer who lacks originality, and conducts his business on lines imitating others, it is a strong weapon. Yet the trend in many lines today runs toward handling different goods from that of competitors. When such is the case with a salesman's line he must make sure of his buyer before using this idea; otherwise the sale will be lost.

Ordinarily, however, example is a powerful weapon and can be used upon all classes of buyers.

Fear.

Fear can often be used as an important factor in the closing of a sale.

The fear that there will be a scarcity of an article, that the price will advance, that unless a buyer acts immediately he will be unable to get the article, that his competitors will have it, that the best numbers of a line will soon be sold, and many other arguments of a similar nature can be used.

Use them only when they are true, never as a bluff. When used as a surprise fear is most effective, and should be forcibly impressed on the mind of the buyer, but never in a manner suggestive of coercion.

Persistence.

Persistence is necessary, but must be rightly used. Many salesmen lack tact in their persistence, and make enemies instead of friends.

Other salesmen are afraid to be persistent for fear that they will make enemies.

The mode of persistence depends upon the buyer. We will now take up the different types of buyers.

HANDLING THE DIFFERENT TYPES OF BUYERS.

Many of my lady-like, timid, and ultra-conservative readers have no doubt been greatly shocked at some of the strong methods I have used.

To such readers I will say that salesmanship is everything from gentle tact to shirt-sleeve diplomacy. Not that a salesman is ever obliged to fight. He is too shrewd a judge of human nature for that. A salesman meets all kinds of buyers when on the road. Some are thorough gentlemen and must be treated as such. Others are extremely boorish, and there are few such that are influenced by dignified composure. Some boors know so little of men and the world that they consider calm dignity as a confession of weakness. A few of these may be quelled by a stern and steadfast look, but obstinacy and sullenness follow, and these are not always passed over successfully. I have found that well calculated excitement that is sincerely expressed produces better results. Nor are the rude mannered confined to the lower classes of buyers. I have in mind a certain buyer who is one of the largest of his kind. I have sold this buyer thousands of dollars' worth of goods, but have never received a

pleasant word from him. But that buyer never started an argument with me that I did not leave with an order.

Most buyers prefer to deal with equals. Some with those whom they think that they can influence. Others with those whom they consider their superiors.

A salesman ascends, descends, and finds his own level as he goes along the road.

The following types of buyers have been taken from the writer's own experience. The phrenological names of the faculties are given for their identification. The writer has sold all classes of merchants, from Marshall Feild & Co., the largest in the world, down to the smallest country merchant. His experiences have led him from the Atlantic to the Pacific. He has constantly been a close observer and student of men and motives.

Handling a buyer lies mostly in conditioning his mind for the selling argument.

The Buyer Who Loves to Argue.

The love of argument springs from Combativeness, Approbativeness and Language. If the buyer be strong on Conscientiousness and you have an argument that will overcome the one opposed, use it and the buyer's honesty will compel him to admit the force of your argument. If you lack a stronger argument on some point than the one he opposes, you have failed to prepare yourself. In this case you must bring up some point or points that you are thoroughly familiar with and cannot be contradicted upon. As you analyze the point or points the buyer's honesty will create doubt as to opposing

your proposition as a whole. When you have created doubt, press your points. Avoid argument with those deficient in Conscientiousness, for they will resort to almost any means to gain their point. Those of this class generally have rather strong Approbativeness and will always want to be right whether they are right or wrong. Argue only enough to show them that they are wrong, then give them a chance to yield gracefully by telling them that while they are right in a way there is a point that should be considered in connection. He will want to know what it is. Take up the next point and continue in a voice and manner that is devoid of contention. He sees that you know your business and will be inclined to listen.

The Disputative Buyer.

The difference between the disputative and the argumentative buyer is that the disputative is more forceful in his argument. This is because Destructiveness is added to Combativeness. The disputative will be very aggressive in his arguments.

If this buyer cannot be controlled without dispute he must be strongly inhibited. Lead him into a heated debate and when you have him all wrapped up in the subject cause him to make an assertion that you are prepared to overcome most convincingly. When he has made his assertion, pause a moment, then plant your argument in a low, soothing voice. The sudden change will utterly dumfound him because it is unexpected, and the shock of the surprise will draw the blood from Combativeness

and Destructiveness and your suggestion will strike the faculty at which you have aimed it with powerful force. Then continue in the same low voice, directing the blood from faculty to faculty, until you have finished your argument. Remember that your manner and expression must be in perfect harmony with your voice, and all three should express absolute sincerity. If you laugh when you see his sudden change of expression you will anger him and lose the sale.

The Opinionated Buyer.

The Opinionated buyer is strong on Firmness and Combativeness. He differs from the Argumentative and Disputative type in that he is honest in his opinion and clings to it for this reason and not from a desire to argue or dispute. He differs from the Inflexible buyer because he is honest in his opinion and not really stubborn. He is generally quietly firm and not disposed to argue after he has given his opinion.

When you see wherein the fallacy of his reasoning lies, do not commence your attack in a direct manner. Instead you must partly agree with him and blend your ideas with something expressed in his opinion and then work towards your point in a way that gradually enlightens him, and you will have him convinced without antagonism.

The Inflexible Buyer.

This buyer is most unreasonably stubborn and this stubbornness is caused by extremely large Combativeness,

Firmness and Self-Esteem. His face expresses stubbornness. Any attempt to persuade this buyer by reasoning with him is only a waste of time and will increase his resistance. Your only method lies in planting a suggestion that will cause him to take the initiate in investigating your proposition. Plant your suggestion tactfully and when explaining or suggesting avoid all antagonism.

The Impolite Buyer.

Impoliteness may sometimes spring from thoughtlessness or irritability, but when it is a permanent trait it is caused by weak Approbativeness and agreeableness.

In this case I have never yet seen one of the type whose Combativeness and Destructiveness would strongly resent an angry voice and manner that was quickly followed up by convincing arguments in favor of a proposition.

Do not make the mistake of getting angry and demanding respect for yourself from this type. Instead take advantage of his surprise to impress him with your proposition.

The Irritable Buyer.

Irritability springs from Approbativeness. With this faculty and Combativeness and Destructiveness strongly in the lead over his other faculties a buyer will be very susceptible of anger or passion. You must soothe this type into calmness before attempting to impress him with your proposition. When you have him calm proceed with your argument without antagonism and tactfully

explain away any reasons or opinions that he may oppose. Do not lose your self-possession and you can surely control him.

The Buyer of Choleric Temper.

This type is created by the same faculties as the Irritable, only is much stronger. The color of the face is fiery red or very dark. The expression of the face shows strong temper.

Avoid arguments with this buyer for when heated he will not listen to reason and will often resort to force. Show no fear, for some of them will take pleasure in making you afraid. Let your manner show a liking and respect for them. This will please their Approbativeness. If they have humor make them laugh. Do not attempt to gain interest for your proposition until you have drawn the blood away from Combativeness and Destructiveness.

The Aggressive Buyer.

Aggressiveness springs from the faculty of Destructiveness. In this case Secretiveness is added and Combativeness is innocuous.

The aggressive buyer is the one who tries to take the reins into his own hands and conduct an interview or an inspection of samples his own way.

To allow this is reversing the order of things, for the salesman is influenced and not the buyer. If a buyer attempts this a salesman should put a stop to it at once, and at the same time gain an advantage. This method is generally employed as a bluff to frighten salesmen into

giving lower prices or yield some other advantage. Bluffers are cowardly at bottom, and a sudden and unexpected attack catches them off their guard.

This type is generally pretty well endowed with Cautiousness, and the salesman can gain a decided advantage by quickly turning angry and by forcibly expressing his anger by voice, manner, expression, and gestures. This will surprise and shock the mind and sensitize it so that a strong suggestion planted immediately will produce good results. The suggestion to use is a positive statement in favor of the salesman's proposition, and should be quickly supplemented by other suggestions in order to keep the buyer's mind solely upon the proposition and prevent him from thinking about his wounded feelings.

When this method is due to haste on the part of the buyer, the salesman can suggest that in order to save time for the buyer he will take a short cut. The salesman has then gained attention, which he should sustain or run into interest; and the buyer will forget his hurry. The curious sometimes take this method to conceal their curiosity, but they are handled in a different way, which will be taken up later.

The "Know It All" Buyer.

This buyer has large Approbativeness and Self-Esteem. When large Combativeness, Destructiveness, and Firmness are added the buyer is extremely "know it all." Rule yourself by this buyer's Approbativeness. Create doubt in a conciliatory manner. The larger his Cautiousness, the easier it will be. Your conciliatory manner will satisfy

his Approbativeness. Then proceed with your argument in an interrogative manner; that is, by asking his opinion on every point. The flattery to his Approbativeness and the doubt you have created will influence his opinions and he will be combatively acquiescent. Continue along this line and you will gain consent of will.

The Disagreeable Buyer.

This type is created by Destructiveness, Approbativeness, Combativeness, and Comparison. It will love to criticise and boast.

When dealing with this type, quickly put a stop to his criticising and boasting by a forceful, positive, and even angry voice and manner. Then justify your attack on his Approbativeness by quickly presenting your strongest arguments in favor of your proposition. The attack must come as a surprise, which will drive away his opposition and excite interest in your proposition. Quickly press your advantage in a strong and positive manner and he will yield.

The Antipathetic Buyer.

A salesman will sometimes meet a buyer who shows a marked aversion toward him, and he experiences the same feeling toward the buyer. This is natural, for the natures are exactly opposite. The faculties that are predominant in one are weaker in the other and no sympathy exists between them.

The salesman can overcome this antipathy by throwing

himself into sympathy with the other's feelings. This will surprise the buyer and create doubt. When doubt is created press the advantage. By persistence and study of the character the salesman can win the buyer over.

The Buyer Who Is An Egoist.

Egoism springs from the faculty of Self-Esteem. This buyer considers everything only in relation to himself. All his other faculties are made subservient to his Self-Esteem.

His manner toward the salesman will be so equably self-sufficient as to be disconcerting unless you know the type.

You must lead this buyer into a discussion of your proposition. Do not attempt to do all the talking yourself. Do not use a suave or heated voice or manner. Instead use a voice and manner that is even and matter-of-fact. Talk until he shows a desire to take the initiative. He will then create an opening for you, generally by offering some objection.

Your talk up to this point should be with the distinct purpose of leading up to an objection that you can easily overcome. After you have tactfully removed the objection you have created doubt and he is not so sure of himself. Then proceed systematically with your argument.

The Buyer Who Brags.

Bragging springs from Approbativeness, Combativeness and desires approval and praise.

Listen patiently to the braggart, for that man is revealing a part of his nature to you.

Praise and approve those of large Firmness and Self-Esteem, for to show disbelief makes them sullen.

To those of small Firmness and Self-Esteem appear partly unconvinced, to pique them. After they have convinced you again you can give them your praise and take advantage of the elation that follows.

The Conservative Buyer.

The faculties that create conservatism are Acquisitiveness, Conscientiousness, Secretiveness and Cautiousness. The faculties of Vitativeness, Veneration, and Approbativeness furnish the motives. The face expresses conservatism.

A true conservative dislikes anything radical and it is therefore necessary to present a radical proposition in a manner that will blend with his conservative ideas. This blending of ideas weakens the distinct idea of opposition and creates doubt. With doubt in his favor the skillful salesman can gain interest, or sustained attention that lacks strong opposition.

To effect the blending of ideas the salesman must select the points of his argument that he knows are most closely associated with the conservative's mind and then progress systematically, step by step, constantly preparing the mind for each new idea, so that instead of seeming radical, the new ideas will seem as a natural or logical sequence to the preceding ideas.

In order to do this it is necessary that the salesman be thorough master of his proposition.

The Curious Buyer.

Curiosity springs from the faculty of Individuality and any of the faculties of Constructiveness, Causality, Approbativeness, Cautiousness, and Secretiveness. If the opposite sex is concerned it will spring from Amativeness. The curious will conceal their curiosity by indifference, exaggerated interest, or by expressing surprise and by agreeing with the salesman in all he says, but ends by saying, "I don't think I want it," or an expression to that effect.

Never show anger toward the curious, for they are expecting it, and anger should only be used to create surprise, unless you have some hold on the other. The curious already have a sense of guiltiness, and anger will not surprise them, it will only drive them away.

When a salesman sees that he is dealing with curiosity he should never allow the curiosity to become satisfied, but should concentrate upon a point that he knows the other will become interested in. This will induce forgetfulness of curiosity and develop genuine interest.

The apparent experience of the buyer and the salesman's knowledge of phrenology will enable him to determine the point of attack.

The Conceited Buyer.

Conceit is self-flattery and displays itself by extreme self-assurance. It comes from Approbativeness. Never antagonize this type. The best line of attack is to pay deference to his opinions and he will unbosom himself. When you have drawn him out, select his weak points

and attack them by tactful suggestions. This will create doubt, which advantage should be quickly pressed.

The conceited are seldom deep, for their conceit causes them to become too easily satisfied with themselves.

The Buyer That Cannot Say No.

This character's faculties of Friendship, Approbativeness, and Benevolence are in the lead over his Firmness and Self-Esteem. When pressed this character will show weak determination. His Friendship will make him yield through affection. Benevolence makes him yield to a desire to be kind. Approbativeness will make him yield through fear of displeasure or ridicule.

This buyer is easily handled through these faculties but should not be taken advantage of.

The Communicative Buyer.

This character has large Language and friendship, and rather small Secretiveness. His eyes are full if not large or bulging. His face wears a guileless expression.

This buyer will tell all he knows, even his innermost secrets, if tactfully drawn out.

Simply find out his weak points and use them against him.

The Credulous Buyer.

The credulous are weak in the faculties of Human Nature, Secretiveness, Casuality and Comparison, and strong on Spirituality, Conscientiousness and Veneration.

This type is very susceptible to plausibility and some

salesmen, who yield to the worst side of their nature, seeing that they have a sucker to deal with, hand them a package. (Excuse the expression.)

This is a short-sighted policy, even though we do not consider the right and wrong of the matter. The buyer is overloaded or buys goods that he cannot use, and a customer is lost for the house.

Yet there are some of this type who are stung time and time again by the same salesman, and each time they vow never to have any more dealings with him. But when the salesman next arrives he gives the buyer another dose of plausibility, and hands him another package.

If you are honest and sincere with this type they will give you their confidence, and it should not be betrayed.

Sometimes a buyer possessing all these faculties normal will by circumstances be reduced to necessity for a thing and is easily convinced because he wishes to be.

The Cunning Buyer.

Cunning springs from Secretiveness and is actuated by Acquisitiveness and Approbativeness.

This buyer will resort to tricks and stratagems to get the best of a salesman.

You can instantly recognize the type by their unwillingness to meet a point directly. They prefer to employ finesse. If their method takes a straightforward manner you can detect it by a searching or questioning look in their eyes.

After this type becomes interested they generally wish

to take the initiative. You can allow them to think that they are having their own way, but by tactful suggestions you should lead them along the line of your argument. As you proceed, it will gradually dawn upon his mind that he is being led, and, while he may feel a bit nettled, he will respect you, and when it comes to the question of price you can take a firm stand.

You can, if you wish, take a straightforward manner and hold them directly to the point, but this manner is displeasing to them. They love and admire finesse.

The Cold-Mannered Buyer.

A cold manner is caused by weak social faculties and weak Approbativeness, or by these faculties being held strongly in check. If the latter, it generally springs from Secretiveness and is actuated by Acquisitiveness.

This buyer is handled through the intellect and Acquisitiveness.

Present your argument in an even, matter-of-fact voice and wait for an opening. When the opening presents itself, press it, but not too eagerly.

If he is strong on some particular faculty that you can attack, do so, but not in a manner that will suggest influence.

The Buyer Who Is Concentrative.

Concentrativeness comes from the faculty of Continuity. When strong Causality and Comparison are added to Continuity it will cause a buyer to fall into a deep study of a thing that interests him.

Should a salesman suddenly stop in his argument, the buyer will go on thinking and the salesman does not know just where the buyer's mind is at.

It is therefore necessary that a salesman should have his selling argument so prepared that he can proceed systematically, and thoroughly elucidate each point as he goes along. In this way he guides the mind and knows where he is at.

The Buyer Who Likes to Compare.

A desire to compare springs from the faculty of Individuality. Although a buyer may compare things, he may not be a competent judge, for he may be weak on the faculties that are affected by the thing sold.

The salesman should know what faculties are affected by his proposition and after seeing the faculties that his buyer is weak or strong on, can act accordingly.

Buyers Who Are Changeable.

Experience must also be taken into consideration.

Changeableness comes from weak Continuity, Self-Esteem, Causality, and Firmness.

The lack of Firmness and Self-Esteem gives you the key to the mode of operation. Play upon the faculties of Friendship, Benevolence, and Approbativeness.

The Cheerful Buyer.

A lastingly cheerful disposition comes from strong Hope, Mirthfulness, Benevolence, Conscientiousness, Spirituality, Self-Esteem, and Combativeness.

These faculties strong give a character a natural and permanently cheerful disposition.

Temporary cheerfulness is different. It does not spring so much from the faculties as from the events that affect the faculties.

Present prosperity, or temporary smooth sailing, causes cheerfulness. Some late success causes a feeling of elation or satisfaction that induces cheerfulness. Future events that are auspicious for the individual cause cheerfulness.

Those of the natural and permanent disposition are not influenced by their cheerfulness, while those of the temporary are. They are tempted to take chances through the feeling of elation that induces their cheerfulness. The expression of the face tells the difference between the two. The face of the temporary shows elation or satisfaction and only partially effaces some other expression, while that of the natural or permanent shows that cheerfulness is habitual.

Use the permanent disposition as a means to a propitious beginning, but use the temporary as a means to an end.

The Deceitful Buyer.

The deceitful are weak on Conscientiousness, Veneration, Friendship, and Benevolence, and are strong on Acquisitiveness, Secretiveness and Approbativeness.

This type is extremely selfish and will use any means to deceive you in order to gain their point.

They are very undesirable customers. You can place

no confidence in them, for they will try to get the best of you at every opportunity. They will take discounts to which they are not entitled, and will return goods that they cannot sell, upon some lying pretext. They will go further if necessary to avoid loss to themselves.

Hold this type strictly to an agreement or understanding. Do not give them an inch, for they will take a yard.

Buyers Who Intend to Defraud.

This character has Acquisitiveness far stronger than Conscientiousness.

A buyer who intends to defraud, and lacks Secretiveness, will show his intentions by a guilty and hurried manner, and indifferent or loose buying.

If he has Secretiveness large he will use almost as much care as an honest man.

But if the salesman is a close observer of expression and heads he will be suspicious when he sees a tricky or unreliable expression, or a deficiency in Conscientiousness. Observe the eyes when asking for references, and if you find any tell-tale expression there, it is best to suggest care to the credit man.

If the buyer has been dealing with the house for any length of time, and stands all right with the credit man, he is likely to slip one over, unless he betrays himself by his buying.

Buyers Who Are Doubters.

Doubt springs from Cautiousness.

This buyer lacks positive qualities and is continually

doubting that he is getting the lowest price, the best terms, that the goods are right, or anything involved in the transaction.

When you see that you have a doubter to deal with and cannot control him by ordinary means, lead him up to a strong surprise. Get angry if necessary. When you have created surprise, quickly follow it up in a strong and positive voice and manner. His doubts are inhibited and his mind follows yours.

The Dignified Buyer.

True dignity comes from Self-Esteem, Approbativeness, Conscientiousness, Veneration, and Benevolence. It dislikes anything mean, underhanded, or sinful. It is honest with itself and others.

True dignity is easily distinguished from assumed dignity, for there is no exertion, it is spontaneous, and not voluntary.

This type is influenced by a quiet, open, straightforward and sincere manner. When this manner is used, attention is spontaneous. Sustained attention or interest is gained by quiet discussion. When he shows doubt or acquiescence, press your point with quiet but positive assurance.

Buyers Who Are Drinkers.

The desire to drink comes from Alimentiveness.

Drinking between buyer and salesman is far more prevalent than is supposed, although not so openly as formerly.

A drink will often warm a buyer's feelings toward a salesman, but a salesman should never make a practice of drinking, for it will affect his success in many ways, and will surely get him in the end.

Drinking makes a Mr. Hyde of a Dr. Jekyll and it also makes a Dr. Jekyll of a Mr. Hyde for the time being.

Letting drink alone and working on the better side of a buyer's nature will prove the best course in the end.

The Envious Buyer.

Envy comes from Self-Esteem and Approbativeness. Envy in a buyer will spring from mortification, or a feeling of discontent, that is caused by a salesman's success, or because the salesman possesses some superior qualities or advantages that the buyer lacks.

The salesman should never show that he sees a buyer's envy, or allow him to put the envy into action.

Instead, he should show good-will toward and an interest in the buyer. Do not speak of your success unless it is to influence the buyer to emulate the action of others.

Be sure to gain his good-will, and the fact that you are successful will have a positive influence in forming his opinion in your favor.

The Buyer Who Is Always Busy.

This is the hustler who is always in action. He is ambitious. His ambition comes from Approbativeness, Conscience, and his hustling from Destructiveness.

This type is always busy, and if you are a stranger, the chances are that you will receive but scant attention if it is left to the buyer.

Go after him. Be persistent. Attack his Combativeness if necessary. If he has large Mirthfulness, make him laugh. Touch his Cautiousness, Acquisitiveness, Combativeness, Benevolence, Conscientiousness, Approbativeness, or Imitation. Talk forcefully and rapidly. Induce forgetfulness of his work. When you have done this, proceed systematically with your argument. If you are master of yourself and your proposition, you can master him.

But be sure that your voice and manner are sincere.

The Extravagant Buyer.

This buyer has Acquisitiveness and Approbativeness in the lead over Conscientiousness, Cautiousness, and Causality. His desires are not regulated by his needs, and he is continually overbuying or buying things he has no need for.

This buyer is generally in hot water and finds it hard to meet his obligations.

If a salesman knows his man he should not be too enthusiastic, for he will find it hard to keep him from overbuying.

This is not a practical man, and his face will show it.

The Buyer Who Is Easily Influenced.

Those who are easily influenced are strong on Benevolence, Friendship, and Approbativeness. They are weak

on Firmness, Self-Esteem, Combativeness, Conscientiousness, and Continuity.

Their character is evinced by a lack of firmness in their manner, a strong desire to please, or a weakly combative attitude.

They are susceptible to sympathy, a sincere manner of good-will, and to positiveness. Use tactful persistence with this type, and once you have aroused their interest your battle is won.

The Buyer Who Is Easily Rattled.

This buyer has large Approbativeness, Cautiousness, and when Conscientiousness is added, is more easily rattled. His face and manner will show that he is excitable. If you cannot handle this buyer without excitement work him up in a manner that will cause an eager and rapid debate and when you have him worked up to the proper pitch lead him to make an assertion that you can overcome most positively and convincingly. He will then either propitiate, remain silent, or stutteringly attempt a further argument. In any case quickly press your point, for you have him going.

The Flighty Buyer.

This buyer lacks Continuity. If he is considering some proposition he will fly from one point to another without coherency. If he is looking over samples that are spread, his attention is distracted and he will wish to run around and examine the samples, and the salesman finds it hard to control him.

The salesman can control flightiness by having his selling argument arranged so that each point follows in its logical order. If the buyer interrupts, raise your hand and ask him to kindly let you finish, and tell him that you are coming to that point.

When showing a line of samples a salesman should have them in piles and not spread. This prevents distraction and forces concentration.

The Fastidious Buyer.

The fastidious buyer has large Ideality and Order. He will always have some suggestion to make relative to improving the thing you are selling.

If this buyer indicates his willingness to purchase a thing, but wants a change made, guide yourself by these three questions—"Will it pay?" "Can it be done without serious inconvenience?" "Is it practical?" If the answer is in the negative tell the buyer so, and tactfully discourage the idea by suggestions to the effect that it would be to the buyer's interest or advantage to purchase the thing as it is.

The Forgetful Buyer.

When a salesman has been "stood up" on an appointment and it is due to forgetfulness on the part of the buyer the salesman has only himself to blame. He has simply failed to properly impress the faculties that he is dealing with. Had he done so memory by association would have been established, and an auto-suggestion planted that would have recalled the appointment.

Never be satisfied with an appointment that is indifferently given.

Buyers Who Buy for Friendship's Sake.

Friendship is the goal toward which the salesman must always work. Gaining true and lasting friendship that favors you in the buying is the culminating point of salesmanship. This friendship will sacrifice many things in order to give you the business.

Friendship may spring into blossom at the first meeting, or it may require long and patient cultivation.

Use your knowledge of phrenology to promote friendship.

Buyers Who Are Old Fogies.

This type has large Continuity and Firmness.

The old fogy can be reached through his hobbies and through humoring him. Do not directly antagonize him, for he will tell you that he has been doing so and so for many years and that you cannot change him.

Instead, you must use a pleasant manner that shows good-will toward him. Draw him into a good-natured argument and let him unbosom himself. When you have found out the weak points of his opposition, change from the good-natured manner to one that is grave. Then advance your argument in a quiet voice that expresses respect for him, but that is also firmly in favor of your proposition. When you see that you have him convinced, create an opening that will allow him to appear to have found something to his advantage that will serve to justify his buying. This will please him, for he does not like

to give in. You can create the opening by asking a question that will suggest the idea to him.

The Buyer of Large Femininity.

The faculties that create the predominance of Femininity in a person are these: Parental Love, Conjugality, Benevolence, Approbativeness, Cautiousness, Comparison, Human Nature, Color, Order and Spirituality.

Femininity and masculinity are combined in all. When the Feminine is strongly in the lead a person will appear girlish or womanish.

A buyer of this type will be influenced by their likes and dislikes more than by the proposition itself.

Use an agreeable, ingratiating voice and manner with this type and you can gain their good-will. After their good-will is gained they will feel inclined to favor you.

The Strongly Masculine Buyer.

This buyer will have the masculine faculties in the lead. These are Firmness, Combativeness, Destructiveness, Self-Esteem, Causality, Constructiveness, Acquisitiveness, and Amativeness.

A salesman of the masculine type will be more apt to receive spontaneous attention from this buyer than one of the feminine type. The feminine type of salesman must preserve his coolness and show neither fear nor resentment at anything the buyer may do or say, for the buyer will expect it. Do the unexpected and remain cool and firm. This will surprise him and create respect for you.

In any event, whether you are of the feminine or masculine type, preserve your coolness with this buyer and do not become rattled. He has some weakness that you can pick out and attack. All men have some weakness.

Buyers Who Are Grafters.

The grafter's Acquisitiveness is greater than his Conscientiousness. The mode of operation employed by a hired buyer is generally to have a relative, or a close friend, get lines that he can buy. These lines are generally handled on a commission basis. When the salesman draws his commissions he divides with the buyer.

Sometimes the salesman employs some one else to sell the buyer, to avert suspicion. He may handle several lines.

Some buyers employ no go-between, but apply direct for their graft. When the graft originates with the salesman, he first forms a close intimacy with the buyer and then broaches his proposition.

Grafting is an easy way to sell goods. The grafters in higher circles set an example for those of smaller caliber.

Leaving honesty out of the question, there is this to be said against it: It spoils a man's salesmanship, and will eventually lead to trouble.

Buyers Who Like Good Times.

By a good time I do not mean ordinary entertainment. I have reference to the buyer whose good time consists

of getting drunk and associating with women of easy virtue. The salesman who makes a practice of getting business in this way generally spends all he makes, and the habits he contracts continually keep him in hot water. He may continue for a long time, but sooner or later it will put him on the toboggan.

Work on the better side of the buyer's nature. You can do so by real salesmanship and will not have to buy your man.

Buyers Who Are Gullible.

This type is weak on Human Nature and Secretiveness. They are most often gulled through the faculties of Spirituality, Benevolence, Friendship, and Approbativeness. To take an unfair advantage of this type is wrong. When you see that they are easy, put yourself in their place and treat them as you would yourself.

To gain their confidence is easy. By treating them fairly and showing a genuine interest in them you can gain an influence that will be hard to overcome.

The Buyer Who Is a Hypocrite.

The genuine hypocrite has large Veneration and small Conscientiousness. He recognizes the value of religion as an asset in business. He wears a sanctimonious, sorrowing look. His voice will be forgiving, suave, and insinuating. The more sorrowful and sanctimonious his look, the more apt he is to be engaged in misleading some girl or defrauding some one by legal means.

When dealing with this type, adopt a suave and insinuating manner immediately and continue in the same way

unless he forgets or drops his mask and becomes sincere. If so, you must become sincere also.

There is another type of hypocrite that uses religion or a professed love of others to gain his ends. His manner is almost sincere and he uses strong logic or sophistry to deceive and gain his ends.

If a man professes a strong love of others, look at his Conscientiousness. It will tell the story.

The Honest Buyer.

Honesty is this buyer's distinguishing trait and comes from Conscientiousness. With large Firmness and Self-Esteem added to a large degree of this faculty a man will be unswervingly honest. Their faces will bear an honest expression and their eyes will be steady and open.

Be frank and open with this buyer for he dislikes anything secretive.

Buyers Who Are Good Judges of Human Nature.

These buyers have the faculty of Human Nature large. If their Individuality is also large they are generally correct in their first impressions of people. These two faculties are easily seen.

When the salesman is dealing with this type he must always be sincere and straightforward in his manner, for this buyer will follow your motives instead of paying attention to your proposition if you are not. Get his mind off you and draw it to your goods, unless there is a sympathy between you. If there is, use this sympathy to your advantage.

The Impulsive Buyer.

This buyer has some faculties that are predominant and the moment they are touched he acts or speaks without mature thought.

Rapid speech and animated manner distinguish these buyers. If they are combative toward you lead them to make some assertion that will be damaging to their opposition; then tactfully press your point. When all else fails use strong inhibition.

If they are in sympathy with you and your proposition their desire is easily awakened and consent of will is generally spontaneous.

The Buyer Who Is An Imitator.

Imitation comes from the faculty of the same name.

This buyer follows the example of others in conducting his business. All men are swayed more or less by example, but this buyer is strongly so. He is weak on Individuality, Ideality, and Constructiveness.

These buyers wish to have the same goods as the buyers who are more successful than themselves. If the other buyers are in the same neighborhood the Imitator wants them in order to cut the price.

Where the nature of a line is such that, if the same things are handled by two merchants in the same neighborhood, and will cause confliction, it is poor policy to sell the less successful merchant the same things that you have sold to the successful. You will first lose the

business of the successful and then that of the imitator, for he no longer has the successful merchant to imitate. It is best to hide the things that you have sold to the successful and sell the Imitator something else.

Where things do not conflict, the example of the successful is a strong weapon used on the less successful.

The Imitator will often ask if you have sold so and so. You can tell him that you have, but it is not necessary to tell what you have sold.

The Incredulous Buyer.

The incredulous are strong on the faculties of Human Nature, Causality, Comparison, and Secretiveness. They are generally weak on Conscientiousness and Spirituality.

This buyer will evince a disbelief of a salesman's assertions by his manner and expression, even though he says but little.

When dealing with this type, secure comparison for your proposition as quickly as possible, and reserve your strongest arguments, if possible, until your proposition is being compared.

Buyers Who Are Liars.

Lying is generally caused by Approbativeness and Secretiveness. Sublimity causes strongly exaggerated lies. When dealing with this type, do not appear to doubt them, but run in some point of your argument where you can pin them down, but do not show them up too strongly. Make it appear that you think that they are mistaken in their opinion, and not that they are lying.

The Mirthful Buyer.

The buyer who has large mirthfulness is easily provoked to laughter, and by causing him to laugh you can weaken the strength of his opposition toward you, especially if he is not strong on Firmness and if he has large Benevolence.

A buyer with small Firmness can be persuaded almost against his will when persuasion is mingled with laughter. But the buyer with large Firmness and Combativeness is not so much influenced by mirth. It is better, in fact, to be serious with him and only use laughter to induce forgetfulness of some point opposed, and to change the trend of the argument into a channel more favorable to yourself.

The Malicious Buyer.

Malice springs from the faculty of Destructiveness. This buyer will deliberately show ill-will toward a salesman without provocation. He will take pleasure in injuring your feelings without cause. His malice shows in face and manner.

The salesman should never appear to notice the buyer's maliciousness, but should show good-will instead. In this way you render his malice ineffectual. When you have diverted him from his purpose, you can proceed with your argument in a systematic way, but never until you have him conditioned.

The Methodical Buyer.

Method springs from the faculty of Order.

This buyer likes to conduct his business in a sys-

tematic and orderly way. You can see it by his place of business. When he is buying a line he plans his purchases beforehand, and if the buying is extensive will make out a list and consult it while buying, or have it memorized. He tries to limit his purchases to his needs, but he can be induced to buy more than he intended, if tactfully handled. By this I do not mean that a salesman should try to overload him, but that he is inclined to underestimate rather than overestimate what he can use.

This is a favorable type to do business with, for after they have given attention they are easily carried along by a well arranged and systematic selling-talk, or showing of samples.

The Optimistic Buyer.

Optimism springs from faculties of Hope and Self-Esteem.

This buyer will continually look at the brighter side of things, even though they are not running smoothly at the present. His face will show a buoyant spirit, even though it is submerged at the moment.

In your conversation with this buyer he will express his opinions of conditions, and if business is slow he will say that it will soon pick up.

Here is where the salesman can use a little enthusiasm, and this buyer is very susceptible to it. Tell him positively and convincingly that you know it will pick up; that some of the merchants of your acquaintance are now taking advantage of the lethargy prevailing among their competitors to acquire the business that is to be gotten by aggressively going after it; that they are having

sales, employing new methods, showing new goods; that they are advertising, and giving away premiums; that they are creating interest for themselves and drawing attention from their competitors, and that they are taking away their competitors' customers.

If your voice and manner is sincere and convincing you cannot fail to arouse enthusiasm in your man, and when you show him that your proposition will help him his consent of will is easily gained.

The Pessimistic Buyer.

The pessimist is weak on Hope and Spirituality, and strong on Cautiousness, Approbativeness, and Secretiveness. This type is generally in a state of depression and his face expresses discouragement.

At first you must fall into sympathy with this type and get him to unburden his woes. He will tell you that times are bad; that competition is too keen, and that prospects are poor.

Then you can agree with him in that competition is too keen; that some merchants are too aggressive; that they are having too many sales, and doing too much advertising. Then change your tactics and tell him how you helped a friend of yours in another town take advantage of the aggressiveness of his competitors. Tell him that your friend is a conservative man and does not like to spend too much money in creating interest in his store, for he feels that it takes away too much of the profits.

Tell him that at the time you called on your friend his

competitors were forcing business most aggressively, and that your friend was deploring the great waste involved in the methods employed.

Tell him that you conceived the idea of taking advantage of the interest that brought the people out on the street and that you suggested to him the advisability of starting a little sale that would catch the people as they passed along.

Tell him that you had some new things that were very attractive and so reasonable in price that they would show a good profit and still be bargains.

Tell him that these things were ordered for the merchant and when he received them he dressed up his windows and put out a sign. Tell him that the next time you called the merchant was highly gratified at the success of his sale.

Now turn the merchant's attention upon himself.

Tell him that you have some things that will surely attract business if well displayed. Describe them in such an enthusiastic way that he will want to see them, and you will then have a favorable start.

Of course a salesman cannot conscientiously use this self-same story if it is not in his experience. This illustration is merely to show you the line of attack to adopt. A salesman who has ingenuity and resourcefulness can easily draw the material from his own experience.

Remember that this buyer is in an inhibited condition and that you must accelerate the action of his heart.

Interest will do so.

The Suave Buyer.

Suavity comes from the faculty of Agreeableness.

This is the buyer who turns a salesman down so pleasantly and in such an agreeable manner that the unsophisticated salesman feels that it has been a pleasure to call on such a merchant. He does not realize that it is only this man's way of getting rid of a salesman.

After a salesman has learned where Agreeableness is located, and has noticed the facial expression that accompanies it, he can tell by a glance at the face that he has suavity to deal with.

When dealing with this type you should use suavity, and use it first. Do not give him a chance to use his suavity until you are well launched into your argument. If he attempts to interrupt you, slightly raise your hand and ask him to kindly let you finish. When he sees that he cannot overcome you with his suavity he will give you attention.

The Open-Minded Buyer.

This buyer is a man of pretty well balanced faculties. He does not pretend or think that he knows it all, but is open to conviction. His face and manner are pleasant and show that he is impressible to reason.

When dealing with this type, use an even voice and manner. Invite discussion, but lead the discussion along the line of your argument so that you will be in perfect control. When you have caused him to make enough admissions to show that he is well impressed, finish up

your argument, using a little sincere but careful emphasis.

The Taciturn Buyer.

The taciturn buyer is strong on Secretiveness. He is a man who is habitually silent. He does not like to be asked questions. His manner is reserved.

When dealing with this type come right to the point. State your proposition in a quiet voice and even manner. Your argument should be so well arranged, and the selling points so well brought out that he cannot fail to be impressed. This, coupled with your quiet manner, will induce him to discuss your proposition. Conduct the discussion in a quiet way and lead it along the line of your argument. Press any advantage in a quiet but positive manner.

The Suspicious Buyer.

This buyer is strong on Secretiveness, Cautiousness, and Acquisitiveness. He will show his suspiciousness in his manner.

The salesman must be perfectly open and straightforward in his manner toward this buyer. He should present his argument positively, but not antagonistically. He should invite comparison and when pointing out the superiority of his article should refrain from evincing any satisfaction that he may feel, but should take it as a matter of course. He should quickly follow up his advantage by further argument and make the buyer forget the attack on his Approbativeness, for you have shown up his poor judgment.

Only by being thoroughly honest in your manner, and by burying your personality in your argument can you persuade this buyer.

The Buyer Who Is a Plunger.

The plunger has large Calculation, Acquisitiveness, Hope, and Destructiveness. Cautiousness is moderate.

The plunger can be told at a glance. He is thick in the side head and especially at the corners of the eyes. He will be full in the head at this point. Narrow-headed buyers are never plungers. They get heart failure at the mention of quantity. Some of the narrow-headed are in a position where they buy large quantities, but their buying is not plunging.

Talk quantity to the plunger. The greater the quantity the more you will interest him. He will then want price. If you talk quantity you must be prepared to give price.

The Over-Cautious Buyer.

This buyer has large Cautiousness. His faculties of Firmness, Combativeness and Destructiveness are moderate or are weakened by disuse. He has allowed Cautiousness to rule the other faculties too long. He will be undecided and hesitating in his manner, and will be inclined to put things off. Do not be aggressive with this buyer at first, but take him easy. You can gain his attention by sincerely and positively stating what you can do for him, or what advantage or benefit he will derive from dealing with you. His Cautiousness will

incline him to investigate your proposition if you have impressed him.

When you are going over your proposition carefully, note his face without any interrogation or watchfulness in your look. When you see that you have him strongly impressed, and you come to the point of consent of will, and he wishes to put you off, suddenly change your manner to excitement and in strong and positive voice express your reasons against procrastination.

Your sudden change will surprise him, his mind will be sensitized, and your ideas will have powerful effect. If you do not gain consent of will, you may be sure that your voice and manner were not strong enough nor convincing.

Buyers Who Are Observers.

The experienced salesman will no doubt remember that many of his buyers have been very quick to perceive and grasp the details of a thing at first sight, while others required some time to think it over.

The reason for this is that the one of quick perception was endowed with strong perceptive faculties and the slow one was weak on these faculties.

Buyers who are observers have large Individuality. Add to this large Size, Form, Color, Order, and Calculation, and you have one who can distinguish even slight differences almost at a glance. This type is quickly recognized by the prominence over the nose and eyes. When one of this type has a forehead that slopes backward, he will be a man who judges quickly, if not cor-

rectly. This is due to small Causality and Comparison. Do not dwell on details that are apparent to the eye when dealing with this type, for he will interrupt you or pay little attention to what you are saying. He has already seen these details and should be guided through the essentials not perceptible to the eye.

This type is the opposite of the thinker, which follows:

Buyers Who Are Thinkers.

The reflective faculties are Causality and Comparison, and it is these two that make the thinker.

A buyer with the reflective faculties large and the perceptive faculties small, must be pointed out the details of a thing, for he is not quick to see them, and must think and reason them out.

When dealing with this type, a salesman should carefully explain the details of his proposition, and systematically guide his mind from point to point, giving him ample time to think as he goes along. Never use rapid speech with this type, but talk in a low and deliberate tone. A buyer with both the perceptive and reflective faculties large is quick of perception and a rapid thinker, unless an intricate point is in question.

THE REASONING USED IN A SALES ARGUMENT.

In the presentation of a selling argument a salesman uses sound common sense expressed in language that fully and clearly brings out the ideas he wishes to impress upon the buyer.

The salesman need not be a logician to reason soundly. He need not be a grammarian to speak correctly, nor need he be a rhetorician to speak effectively.

There are two methods of reasoning—the Inductive and the Deductive. The process of reasoning is the same in both. The difference lies in the source of the knowledge; that is, in the knowledge from which we start to reason.

All our reasoning springs from two sources. It springs either from what we know by actual experience and observation, or from authority.

To reason from experience is to use knowledge that is gained by actual contact with the thing reasoned of, and the impressions that create this knowledge come through the senses.

But to reason from authority is to use knowledge or opinions that come from words either verbal or written.

This comes through the senses of sight and hearing also, but it does not come from actual contact with the things reasoned of.

Inductive reasoning is the reasoning from experience and observation.

Deductive reasoning is the reasoning from authority that is founded on accepted facts, or is an argument that springs from opinion, or supposition.

We never feel certain as to the accuracy of the conclusion of an argument unless we derive the truth of the conclusion from experience.

Also, we cannot always furnish enough evidence from experience and observation to warrant the forming of a convincing conclusion, and it is therefore necessary to draw enough argument from further facts not directly connected with the proposition, or from opinions or suppositions, that will enable us to form a reasonable conclusion.

A salesman must use Induction and Deduction together when he is presenting his sales argument.

These two methods have different ways of expression and are as follows:

Reasoning by Syllogisms. A Syllogism is a fully expressed form of an Inductive or Deductive inference. That is, everything connected with the reasoning is set forth explicitly. It is not necessary to directly state everything. Much can be implied.

The salesman uses this form of reasoning when he demonstrates or proves a point as he goes along. The entire sales argument should be in the form of a

syllogism. That is, the syllogising or reasoning together of the separately assumed or admitted parts should maintain consistency and tend to the one conclusion that the salesman wishes to arrive at.

Reasoning by Analysis. This is the separating of the proposition into its essential parts.

Before a salesman can thoroughly and intelligently elucidate his proposition to a buyer, he must first have thoroughly analyzed the proposition himself, and have duly considered each part separately, drawing out the important and rejecting the unimportant. The important parts constitute the selling points. Thorough knowledge of a proposition is essential in building a sales argument.

Synthesis is the opposite of Analysis. It is the combining of the different parts after analysis.

Synthetical reasoning is the proceeding by a regular chain from point to point, as they are established, until the conclusion is arrived at. It systematically arranges the points so that each one sustains or strengthens those preceding it. It inducts the proposition into the mind of the buyer so that he sees it exactly as the salesman does.

In synthesis lies the power to persuade.

Reasoning by Conversion. This is the changing of the subject of a proposition into the place of the predicate. Every proposition has a subject and a predicate. The subject is the thing that is being sold. The predicate is that which can be affirmed or denied of the subject. Where a buyer is familiar with the subject of a proposition it is already established, or is thought to be, and

the salesman reverts to the predicate; that is, he affirms the desirability or advantage of his subject, and removes objections and denials. In this way he works back to his subject and establishes it as he wants it to be.

Where the buyer is unfamiliar with the subject of a proposition, the subject must be thoroughly explained and its use or purpose made clear.

Reasoning by Opposition. This is where a buyer opposes another proposition against the one the salesman is selling. That is, the two propositions have the same subject and predicate, but they differ in quantity, quality, or both.

Reasoning by Comparison is the bringing together of things, either in the mind or in the actual, for the purpose of ascertaining their likeness or difference.

Reasoning by Contrast is the setting in opposition of different things to show the superior excellence of one to advantage.

Reasoning by Analogy is the deducing of inferences from some agreement or relation which things bear to each other.

Reasoning by Example is an induction of what may happen from what has happened.

For instance, if one merchant has made a success of a thing, it may be inferred that another merchant in like circumstances can do so.

Hypothetical and Categorical Propositions. Hypothetical reasoning is based upon a supposition. Categorical propositions are positive and absolute.

There is this to be said for hypothetical reasoning:

If a buyer will allow a salesman to base an argument on a supposition the salesman can reason to the heavens and back again, and so word his argument that the buyer cannot directly oppose him. But there is this to be said against hypothetical reasoning: Some buyers, as soon as they hear the word "suppose," fly up in the air and yell, "Suppose nothing!" It is therefore best that the salesman omit the word "suppose" from his argument except in some cases where it is necessary to be negative.

It probably never occurred to the salesman that every time he opens his mouth to speak he is reasoning in one form or another; either by direct or indirect argument, or by suggestion that implies an act of reasoning? Yet this is so, and it must therefore be apparent to one that the cultivation of logical reasoning is indispensable to successful salesmanship.

A man's mental calibre is instantly revealed by the manner and correctness of his reasoning. If his reasoning is at fault, he cannot hope to impress those who are experienced and well informed.

Correct reasoning springs from sound judgment, and sound judgment must have knowledge as its basis. Judgment is supposed to supply want of certain knowledge, but it requires other knowledge to supply this deficiency.

THE FOUR STYLES OF PRESENTING A SALES ARGUMENT.

The Assertional or *Declarative style* is the advancing of a proposition by assertions and explanations.

This is the winning style, but its efficacy depends upon the voice and manner of the salesman.

The Imperative style conveys command, advice, and exhortation.

The command should lie in suggestion. Use advice conditionally. Use exhortation only when driven to extremes.

The Interrogative style is the asking of questions. Questions should rather be used to elicit opposition that you can overcome rather than as an influencing agent, except in such cases as were shown in the handling of the buyers.

Where a buyer honestly concedes a point he is influenced by it, but where a buyer dishonestly concedes a point the salesman is misled, and the buyer is not influenced.

Questions also suggest secretiveness and will often tend to weaken the advantage a salesman has already

gained, especially if there is any doubt remaining in the mind of the buyer.

Questions also suggest contention, and where this has not been the purpose of the salesman he will often be obliged to overcome objections that could have been avoided.

By carefully studying the different types of buyers that we have dealt with you will know when and how to use questions.

The Conversational style is a quiet discussion of a proposition and is generally used when dealing with friends and equals. When using this style the salesman should always lead the conversation along the line of his argument.

At the beginning of this chapter it was stated that the Assertional or Declarative style is the winning style of presenting a sales argument. This is particularly so when delivered in a matter-of-fact voice. When this tone of voice is used, it often borders on, or descends to, the conversational style. The salesman should be warned that while the Conversational style is calculated to place the buyer and salesman on terms of equality, and is the basis of heart-to-heart talks, this style is displeasing to some men, especially if one is a stranger. Should a salesman happen to make this mistake, he can quickly remedy it by reverting to the Interrogative style.

In the chapter on building the sales argument is given a selling talk delivered in the Declarative style. It will be found worthy of careful study.

FIVE RULES FOR CONTROLLING THE SALES ARGUMENT

In order to have perfect control of the argument from beginning to end, the salesman must be prepared to overcome or prevent the following ideas or opinions that may be in the buyer's mind or may occur there.

The first is a preconceived opinion of your proposition that is erroneous. It may amount to prejudice.

A salesman must therefore consider everything concerning his proposition that is likely to create prejudice where it is not understood, and be prepared with convincing arguments that will prove to the buyer that he is wrong.

The second is to compel close observation of your proposition.

A buyer that has a preconceived opinion that is opposed to your proposition will not observe closely, or if he does he will wish to find that he is right, rather than wrong, in his opinion.

You must compel close attention and bring out everything in your proposition so fully and clearly that he cannot evade a fair judgment.

Then again a buyer who is not prejudiced may be mistaken in his perceptions by not having observed closely. He is apt to draw a rapid inference that is prejudicial to your proposition. You must therefore compel close attention and bring out everything clearly.

The third is where a buyer will assert that your proposition is impossible, or express strong doubt to that effect.

You must know what there is about your proposition that will cause him to make this assertion, and be ready to explain it away and satisfy him that your proposition is not impossible.

The fourth is to anticipate arguments that will occur during an interview and explain them away before the buyer advances them, unless you have a purpose in letting or causing him to do so.

By this I do not mean that you should anticipate petty arguments or non-essentials, but those points upon which the sale will hinge. In a selling argument that follows you will see how this is done.

The fifth is to avoid confusion.

If a salesman scatters his arguments, or uses words or expressions that are ambiguous, they will create confusion and the buyer is likely to draw erroneous inferences.

Present your arguments coherently, and in language that fully express your ideas and leaves no doubt of their meaning.

BUILDING THE SALES ARGUMENT.

The building of a sales argument is the arranging of the selling points and auxiliary ideas in their proper order so that all unite to form a conclusion.

To illustrate: The following lines are selling points and must be arranged in their proper order:

And wouldn't it be wiser
Will it make it any easier
Suppose your task, my little man
Than waiting like a dunce
And learn the thing at once
Is very hard to get
To go to work in earnest
For you to sit and fret.

These lines mean very little as they stand, but after arrangement they bring out a logical conclusion:

Suppose your task, my little man,
  Is very hard to get;
Will it make it any easier
  For you to sit and fret?
And wouldn't it be wiser
  Than sitting like a dunce

To go to work in earnest
And learn the thing at once?
—Phoebe Cary.

There are three elements that enter into the building of a sales argument, and are as follows:

First. The proposition, goods, or thing to be sold.

Second. Conditions.

Third. The workings of the buyer's mind.

The proposition must be established by bringing out the cause of, or reason for, its existence; its use or purpose; its qualities that make it desirable; and its connection with the buyer.

Conditions are general or particular. Of the general conditions, hard times and dullness of business are the most common.

I have always worked with the idea in mind that, no matter how hard times are, or how dull they are, there are always some goods being sold, and that the salesman who will awaken his ingenuity and apply his resourcefulness can get some of that business.

During the late panic the writer was employed in the selling of ladies' silk waists.

At one time business was brought to such a point that it had to be forced. I went to the buyer of one of the largest department stores in Chicago and offered to sell him one thousand waists of a particular style and color at a certain price. He immediately set up a howl that he was not in the wholesale business.

I replied that I knew he was not but that he could

easily sell one thousand waists by placing them on sale and advertising them; and that it only involved an outlay of two thousand, seven hundred and fifty dollars.

He finally calmed down and asked me what price I would sell the waists at if he would buy one hundred. I raised the price reasonably and secured his order. The quantity was twice what he would have bought ordinarily.

A little later I went back for a re-order and was told that he did not think he wanted any more, because he could not use the quantity.

I quietly told him that at the time I sold him the others I was obliged to force business, but now things were running smoothly and he could get his own quantity.

When I told him this he gave a start and had a strong impulse to anger, but he did not give vent to it. I knew my man.

Instead, he gave me an order for the regular quantity.

A little later I received an order for one hundred more of the same waists and one hundred and fifty more of different styles.

To another buyer I went to close out some waists that we had on hand. Before seeing the buyer I went to the department and looked over the waists lying on the counter. I saw a waist that I liked particularly well and asked the saleslady if that style was selling. She replied in the affirmative.

I then went to the buyer and succeeded in selling the waists to be closed out. After the sale was made I told the buyer that I had seen a waist on the counter that

I would like to make. The buyer asked me which it was and I went to the counter and brought the waist to the buyer. I was given permission to make a sample and when I submitted it to the buyer was immediately given an order for seventy-five waists.

Through confidence and by keeping in touch with this buyer I secured a very nice business through the worst time of the panic.

Another buyer I influenced by the argument of what I was doing with other houses. I pointed out that as I was getting good business from other buyers right in the face of hard times I must certainly be in a position to interest this buyer.

The buyer looked over my samples and selected a few styles. I was told to come back the next day for the order. When I came for the order the buyer was not ready.

Waiting until the following day I called up the buyer on the 'phone and stated that I must have immediate action on the samples as the buyer across the street wanted them, but not if this buyer had them.

I was told that what the buyer across the street wanted to do did not concern this buyer, but that I should expect a telephone call within an hour. The telephone call came and I was told to come and get the order.

By keeping in touch with this buyer I was able to get much business that would otherwise have gone to someone else.

There was another condition that I overcame at this time and that was bad health; in fact, I was very ill for

some time. But by a supreme effort of the will I forced myself to work three or four hours a week and in these few hours secured enough business to keep the factory busy.

The salesman who will not allow conditions to overcome him can overcome conditions.

Particular conditions lie in the peculiarities of a line or in the dealers who buy the line. Everything being sold has peculiar conditions that must be overcome before a sale can be made.

These conditions are so many, and so varied, that I will not attempt to describe them here, but I will show in a selling talk that follows how I overcame conditions opposed to a specialty I was engaged in selling.

We will now see how the buyer's mind works and why the sales argument must be framed accordingly. The salesman must remember that he must have consent of will from the moment that he gains attention to the closing of the sale. There is but one thing that will gain consent of will and hold it and that is a motive. This motive must run all through the transaction. The will is a whole and cannot be divided, but it has different phases, which are as follows:

Motive. This is the feeling that prompts the will in any one case.

Deliberation. This supposes conflicting motives.

Resolution. This is a volition, or willing with the act deferred.

Desire. This feeling prepares the mind to give final consent of will.

Belief. This is the last phase, and is preparedness to act.

We will see how this works out.

The salesman makes his approach and introduces himself. The introduction should consist of stating the firm that the salesman is representing and what their business is. If the salesman tenders a card, his name should be thereon. The handshake should only be used with equals or where you see that sympathy exists.

So far you have given the buyer no motive to listen to you except that of simple courtesy, so you must give him a real motive. This you do by stating the nature of your business. In many cases a buyer will abruptly say that he is not interested. It is here necessary to tell you that there are two kinds of will—the Evocative and the Directive.

When the will is Evocative it is dormant and needs calling forth. When it is Directive it is in action. If it is Directive and in sympathy with you it only requires sustaining. If it is directed against you it must be reversed. There is but one way to reverse the will, and that is by inhibition. You already know how to use inhibition. When the motive is broached and the buyer has given you attention, the next step is to state something regarding your proposition that will create a favorable opinion of it. A buyer's opinions are influenced by his self-interest, his inclinations, and his passions.

Self-interest affects the faculty of Acquisitiveness.

From the purely commercial side the following faculties are influenced by inclination or passion:

Locality, Imitation, Ideality, Constructiveness, Calculation, and Order.

Locality. A buyer may have an inclination or a passion for buying his goods from some particular market. He is influenced by price, quick delivery, express or freight rates, or he may simply have a biased feeling in favor of the market, that springs from no particular reason.

Have your talk prepared on these points, either for or against.

Imitation. A buyer may have an inclination or passion for following the example of others. He is influenced by what others do.

Ideality. A buyer may have an inclination or passion for things that are beautiful and refined. He is influenced by the artistic appearance or superior excellence of a thing.

Constructiveness. A buyer may have an inclination or passion for inquiring into the construction of things. He likes to see how they are made. He is influenced by any peculiarity of construction.

Calculation. A buyer may have an inclination or passion for buying large quantities of things. He is influenced by quantity and price.

Order. A buyer may have an inclination or passion for conducting his business in an orderly manner. Things pertaining to system influence this buyer. The salesman must analyze his proposition and have his arguments on these points framed ready for instant use. When the salesman determines on the use of these points, he sizes

up the buyer's place of business before his approach, and looks for the faculties when he introduces himself. The faculties are seen at a glance as they are all in the front part of the head.

When the salesman makes his statement regarding one or more of these points it starts the buyer's faculties of Causality and Comparison to work and Deliberation sets in. To prevent the buyer from forming any wrong conclusion the salesman does not leave the deliberation to the buyer but argues so convincingly for his proposition that the next phase sets in, which is Resolution. That is the buyer resolves to go farther into the matter. An element of desire has been created. He may have formed a resolution that if the thing is as the salesman represents it to be he wants it or can use it.

If the salesman has not been convincing aversion sets in and the belief that he does not want the thing follows. The initial desire must now be augmented into a wish or longing.

Here some of the following faculties are brought into play in addition to any used of those already mentioned. They may have been used during Deliberation, but here they are brought out more strongly. Individuality, Form, Size, Weight, Color, Tune, Time, Eventuality, and Language.

From a purely commercial standpoint the faculties that come under the head of deliberation are those which buy to sell again. The perceptive faculties just named are those which help to pass upon a thing's desirability. But the faculties which buy to sell again must consider

a thing from the consumer's point of view. This brings one or more of other faculties into play.

For instance, Approbativeness will buy fine clothes. Alimentiveness buys things to eat and drink. Destructiveness will buy a gun. Secretiveness will buy a desk with secret drawers in it. Inhabitiveness will buy a home. Parental Love will buy things for children. In fact every one of the forty-two faculties buy, or help to buy, something. Some of the faculties will work for a salesman, others against him. When a faculty is working against a salesman it has too much blood in it. The idea in the faculty must be inhibited.

As was stated in the fore part of the book a salesman can play upon a certain number of the senses. He must consider how his proposition will affect the senses; whether the effect will be pleasing, indifferent, or displeasing. If the effect is pleasing it should be augmented. If the effect is indifferent, or displeasing, there is a reason for it, and it is generally based upon necessity. Remember this: That any opinion a buyer may have that is favorable or unfavorable toward you can be either augmented or inhibited through the sense of hearing by literal explanations, or through figures of speech. The use of figures of speech is to make an idea or thought more attractive or striking. The different figures of speech are as follows:

Simile. A simile is an expression that likens two things that are different, but have a point of resemblance in appearance, actions, qualities, or in producing the same effect.

Example: A salesman is showing a mattress to a man who complains that he cannot sleep well on the mattress he is using. The salesman gives his selling talk on the mattress he wishes to sell and ends up by saying, "It will induce rest and sleep like a soothing and harmless opiate." This is a simile.

Metaphor. A metaphor is also founded on resemblance, but the resemblance is implied instead of being formally expressed.

Example: A salesman selling some device that will reduce operating expenses, says to a prospective buyer, "From wastefulness to economy is but a matter of system." The word system implies that it will effect economy.

Allegory is founded on resemblance, but it takes the form of a fable, parable, or fictitious story that furnishes an illustration or points out a moral or conclusion.

Example: A salesman is trying to sell a buyer something, but the buyer is very obstinate and refuses to believe some assertion that the salesman has made. The salesman sees that it will be almost impossible to prove his statement while the buyer is in the present mood. He sees that he must inhibit the idea that is in the buyer's mind, so he says, "Mr. Jones, you put me in the position of the man in the fable who was discussing with a lion the relative strength of men and lions in general. The man contended that men were stronger than lions by reason of their greater intelligence. He said to the lion, "Come with me and I will prove that I am right."

So they went to the public gardens and the man showed the lion a statue of Hercules overcoming the Lion and tearing his mouth in two.

"That is all very well," said the lion, "but proves nothing, for it was a man who made the statue."

"Mr. Jones, I didn't make the statue, but I did make an assertion. I am not going to ask you to go to the public gardens, but I will ask you to take your mind over to Monticello. You know Black & Co. and Tom Johnson over there. I have been selling them this same article for a year and they have had splendid success with it. You have the same class of trade as theirs, and it is logical to infer that you can do as well with it as they have been doing. If you want me to, I will call Mr. Black up on the long distance telephone and ask him which way he finds it easiest to sell the article. I will tell him the information is for you, and I know he will give it to me. When I was over there we happened to mention your name, and got to talking about you. I know that Mr. Black likes you. Shall I call him up?"

The buyer has become calm while the salesman has been talking. The moral of the fable flattered the buyer's intelligence. He sees that the article is successful, and is pleased to know that Mr. Black has a favorable opinion of him. He does not wish to call Mr. Black on the phone, so he says, "No, I don't think you need to call him up. Let me see that thing again."

The use of an allegory, an anecdote, or a true narrative has the effect of diverting the buyer's mind from opposition and gives the salesman an opportunity of

leading up to a point in a manner that is pleasing to the buyer.

Personification. This is attributing life to an inanimate thing or to an abstract idea.

Example: A salesman is dealing with a buyer who wishes to put off buying until later. The salesman says, "Mr. Brown, Procrastination is the thief of time and profit."

In the present case this should be carried out by the salesman reverting to the points of his argument that the buyer has been impressed by, and ending up with some particularly strong argument. It should all be expressed with strong feeling.

Antithesis. Where words that are opposed to each other, or form a contrast, occur in the same sentence the figure is antithetical.

Example: A salesman is selling a thing that is new. He presents his proposition to a buyer who tells the salesman that he prefers to continue handling what he has because it is advertised and well known. The salesman says, "Mr. Reed, the character of goods lies in what they are; the reputation of goods lies in what people think they are." Character and reputation are contrasted.

The salesman should follow it up by saying, "My goods have character and distinctiveness. They do not need reputation to sell them. You say that the other goods are advertised. My goods do not need advertising; they will sell on sight. Here, consider this article and the one you are handling. Which would you choose for your own use? Mine? Certainly! So will your trade; it only

requires a few words of assurance to your customers and they will buy this article. They will be better pleased, and you will make a bigger profit."

Epigram. An epigram is a brief pointed saying. Example: A salesman is selling "Blackbird" fast black hosiery. He says to the buyer, "The fastest colors are those that won't run; the less they run the faster they go."

This is an epigram. It should be followed up something like this: "Blackbird hosiery goes swiftly; it flies." Mean it, don't joke it. Go ahead and tell of its success, and why it is successful.

Metonymy. This is changing the name of one thing to another, but the mention of one suggests the other.

Example: A salesman is showing his line of ladies' dresses to a buyer in his own store. The buyer gets one of his dresses to compare with one of the salesman's. The buyer is not sure as to the superiority of his dress, but puts on a bold front and says, "There! what do you think of that!"

The salesman looks at the dress, and says, "It looks to me like a phantasmagorical production of a disordered brain." (Meaning that the man who designed it was crazy.)

He then goes on to pick out the flaws in the garment to prove his assertion.

You can find flaws in anything if you wish to be fair minded. Such words and expressions as pippin, gold mine, red tape, gray hairs, etc., are commonly used metonymically.

Synecdoche. This is a figure which consists of putting the whole for a part, or a part for the whole.

Example: A salesman says regarding an article that is well known, "The world knows its value." (Whole for a part.)

Interrogation. This is a figure of speech that asks a question. Example: A salesman is dealing with a buyer who wants a lower price. The salesman says, "Mr. Smith, can you draw water from a well that is dry?"

Hyperbole. This is a figure of speech that exaggerates for effect.

Example: A salesman is selling a small but valuable book. He says to his prospective buyer, "The book is about as big as a minute, but its contents are the concentration of centuries."

Irony. Irony suggests the contrary of what is expressed. When you praise a thing, meaning to ridicule it, you use irony.

Example: A salesman is showing a line of shirts to a buyer in his own store. The buyer thinks he has something better. He gets one of his shirts and shows it to the salesman, saying, "What do you think of that?"

The salesman sees that the shirt has been skimped in the making, so he quietly says: "It's great. What I admire about it more than anything else is the ingenuity of the manufacturer who can make a size 17 out of a size 14½."

Vision. This describes the past, absent, or the imaginary as if it were actually before our eyes.

Example: A salesman is showing phonographs to a

prospective buyer who intends to make a present of one to a friend who has a family.

The salesman wishes to clearly establish the place, persons, and object in the buyer's mind, so he asks what kind of music they like, and about the home.

The buyer tells the salesman, who suggests the kind of phonograph to buy and the kind of music they would appreciate. He ends up by saying, "As a surprise for them, I would not send a card with it or let them know from whom it came, but I would put a blank record in the phonograph and talk to it just as you would when presenting it to them in person. I would then take the record and pack it so that when the package is opened they will see it first. Mark on the record, 'Play this first.'

"I can just imagine the look of wonder and pleased surprise on their faces as they stand around the table listening to the machine. They will see you in their mind's eye in a way that will endear you to their hearts as long as they live."

Vision is contained in the last sentence. The balance is merely description.

Litotes. This is the making of a statement by denying its opposite.

Example: A salesman is showing an article to a buyer who does not like its appearance. He says to the salesman, "It's an ugly thing." The salesman replies, "It is not made for show." (Meaning it is made for practical use.)

Allusion. This is a reference to some familiar expression, or event, for the purpose of illustration, explanation, or description.

Example: A salesman tells a buyer that he can use the thing that the salesman is selling as a "Big Stick" against his competitors.

Euphemism. This is the substituting of agreeable names or expressions for those that are disagreeable.

Example: Overcharges are called errors. Lying is called over-active imagination, thoughtlessness, or mistaken ideas. Excuses are called reasons. Extravagance is called necessity. Indecency is called art. In fact a pleasant name can be found for anything that is unpleasant. It all depends upon the point of view, and how much your self-interest is involved.

The reader no doubt wonders why I have introduced the figures of speech here in the phase of desire instead of treating them separately. I will tell you. There lies in figures of speech a suggestiveness so powerful in its effect in inhibiting aversion and augmenting desire that it cannot be too strongly impressed upon your mind. That is why. We have seen that the salesman has supplied the buyer with a Motive. The buyer has Deliberated upon the Motive. He has Resolved to go farther. We have seen that the salesman can play upon a certain number of the senses and that his proposition effects certain faculties. He plays so successfully upon these faculties through the medium of the senses that Desire is aroused. The next and last phase is Belief, and it is here where the will decides to act. It is here where the mind

is persuaded to assent to the opinion that the buyer can use the proposition being sold, and the will gives its consent.

In the beginning of the book it was stated that there is a difference in the workings of the minds of the Intellectual and Emotional Buyers. The names of the different stages given there are only general and are for general apprehension. Now that you know what the five phases of the will really are they mean but little to you.

The real difference between the two is this. The Intellectual buyer is calm and calculating. His faculties of Causality and Comparison are constantly at work. He does not allow desire to sway his reason. He is constantly analyzing what is presented to his mind. The phase of belief means to him a logical conclusion. The Emotional buyer is different. The mere sight of the article, or one of its selling points, may arouse his desire to such an extent that it greatly impairs the working of Causality and Comparison and he does not fully analyze the proposition. Or he may be so strongly influenced that his Causality and Comparison almost cease working and he accepts everything on simpe faith.

There are three kinds of belief in salesmanship. The first is the belief that is the outcome of pure reason, and springs from the faculties of Causality and Comparison.

The second is that of simple faith and springs from the faculty of Spirituality. This is blind confidence and has but little of reason in it.

The third is a combination of reason and faith. It is strong confidence that has much of reason in it. This

is a combination of Causality, Comparison, and Spirituality.

Belief is influenced by the faculty of Acquisitiveness; and Acquisitiveness, from a purely mechanical standpoint, is influenced by the following faculties:

Hope. From this faculty springs the hope of profit.

Ideality. From this faculty springs the love of the beautiful or ideal.

Imitation. From this faculty springs the desire to follow the example of others.

Locality. From this faculty springs the desire to favor some particular market.

Constructiveness. This faculty influences Acquisitiveness by its appreciation of superior construction or composition.

Order. From this faculty springs the love of system.

Calculation. From this faculty springs the desire for price and quantity.

Combativeness. From this faculty springs the desire for things that will combat competition.

Destructiveness. From this faculty springs the desire for things that will kill competition.

We will now see how a proposition is analyzed. The following will about cover everything from the commercial standpoint:

The Proposition. What is its use or purpose? What is the cause of, or reason for, its existence?

Action. What is its effect when in action? Is it an article of wearing apparel, and is it so beautiful in

appearance that it will cause a person to forget prudence or economy and impel them to buy it?

Is it an automobile that speeds like the flash of a thought? Is it a cigar whose fragrant perfume lingers in the mind of the smoker and at every desire to smoke causes a remembrance of its name?

Is it a whisky whose mellowing influence creates a feeling of good-will and love toward all mankind, or is it full of bad thoughts and deeds?

Is it a machine whose efficiency is so great that it will take the place of many men?

In fact, what will your proposition do?

Under this heading ask yourself these questions: How does it look? How does it feel or fit? How does it taste, smell, or sound? What effect will it produce?

Quality of Trade. What class of trade is it adapted to?

Quality of Construction or Composition. What is it made of? How is it made? Is the material good, or only indifferent? If so, why so? There's a reason.

Manner. What is its manner of production? What is its manner of handling? Does the manner of production and handling affect the quality and price?

Comparison. How does your proposition compare with what will be put into competition with it? Does it compare favorably with others? There must be something about your proposition that will make it desirable in the face of competition. Call up your resourcefulness and ingenuity. If you admit that your proposition cannot compete with others, then you are done for, and have

no excuse for handling it, unless it is that you need the money, and that is a motive the buyer will not accept.

Quantity. What quantity is it sold in? How is it put up?

Price. Is the price reasonable or is it a little high on account of superior quality of material and workmanship? Is the law of supply and demand affecting the price, or is it only a matter of opinion? Is your price cheap? If it is you must have a very reasonable explanation for its being cheap, otherwise you may create the opinion that there has been a fall in prices, that your proposition is not as you represent it, or that your goods will not come up to sample.

Terms. What are your terms, and why are they so?

Time. How long does it take to make your article, or is it carried in stock? When is it to be shipped?

Place. Where is it to be shipped from? Where is it to be shipped to? What is its effect upon freight rates?

Direction. By what route is it to be shipped? Is the route selected on account of freight rates or on account of quick delivery?

Affirmation. What must I assert regarding my proposition?

Negation. What must I deny, or explain?

Interrogation. What must I ask the buyer that I cannot tell from his manifest experience in order to present some point more intelligently or effectively?

Order. What is the relative strength of my selling points and in what order shall I arrange them?

Write down your selling points and revise them until

you have a clear, smoothly running, and convincing argument.

I will now give an example of a sales argument and then analyze it.

This is a sales argument that I used while selling a specialty. It proved very successful with me and has landed all classes of buyers from the most representative to those of the smaller type. In some instances I was obliged to change the argument a trifle, but the variations were so slight that it did not affect the body of the argument. This argument is adapted only to the buyers in the retail stores. To the buyers in the mail-order houses I used a different argument. I sold five of the mail-order houses in Chicago through an argument based upon what the sixth one did not do. This shows you what you can do with a single idea if you only take advantage of it. The argument is as follows:

"Mr. Smith, I am representing the Hall-Miller Co., of Chicago, manufacturers of Dr. E. E. Hall's All-Metal Expanding Douche Point. (I would produce the instrument.) This is the only instrument of its kind that can be expanded to any size required. It is regulated by turning the dial. (I would turn the dial and the instrument would expand.) The expanding points are held firmly in place at any degree of expansion. (I would squeeze the points.) When the instrument is inserted within the parts the walls are fully expanded, leaving a perfectly smooth surface, so that the water or medication reaches all parts of the canal. (I would hold up my hand and open and spread the fingers.) After the instrument has

been used it can be sterilized by being placed in boiling water, for it is all metal and there are no parts that can be destroyed by the heat.

There is no other syringe on the market that can be sterilized, for they are all made of rubber, and rubber is softened by the heat.

A douche point that cannot be sterilized is dangerous, for it can cause reinfection after having been used to treat infected parts.

In order to thoroughly sterilize the instrument it should be taken apart. This is done by pressing the button and slipping off the shell. (I would do this, the instrument would fall apart, and I would spread out the pieces.)

The instrument is easily put together again. (I would put the instrument together, work it a few times, and hand it to the buyer, who would look at it, work it, and would then ask the price.)

The price is $24.00 per dozen. The retail price is restricted to $3.00.

(The buyer would consider a moment and would then say, "I don't think I can get $3.00 for it; they can buy other douche points for less money.")

Mr. Smith, I have already shown the superiority of my instrument, and could now reply that it is cheaper than any other syringe in the long run, for it is all metal and is indestructible. It will last a lifetime, while other syringes have to be replaced quite often. But that is not a convincing argument.

The first day that I took hold of the instrument I found

that the buyers liked it, but it was new and untried, and they were afraid that they could not get the price.

Those that I sold it to acted as though they were buying against their better judgment, and I knew that when they received the instruments they would make but little effort to push them.

The next few days were the same, and at last I concluded that the only way to prove the instrument was to put it on public demonstration.

This I succeeded in doing, and it is now being demonstrated at (here I named three stores) and has been for some time.

The fact that we are allowed to continue with our demonstration is proof that we are making a success, for floor space in these stores is too valuable to be wasted on failures.

These three stores cover the upper, middle, and lower classes of trade, so you can see that the sale of the instrument is not confined to any one class. When the demonstrators started to work I instructed them not to talk up the instrument to those who came to the store for the express purpose of buying a syringe, but simply lay out the different syringes, take our syringe, work it a few times, and lay it beside the others. Invariably the customer picks up our syringe and wants to know about it.

The demonstrator simply says, "That is Dr. E. E. Hall's Douche Point. The other syringes do not irrigate thoroughly, that is why Dr. Hall invented this."

She then takes the instrument apart, puts it together, and tells the customer the price.

If the customer complains that the price is too high the demonstrator says, "No, the price is reasonable. It cannot be sold for less. The only question that you must settle with yourself is whether you can afford to take chances with your health in order to save the difference in price, or whether you want to buy the best and get quick and thorough results. This instrument is really the cheapest because it lasts a life-time." The demonstrators report that in almost every case the customer buys our instrument, and I construe this to the fact that there is no apparent influence on the part of the demonstrator. The customer's mind is simply directed into the right way of thinking, and they cannot fail to see the benefit of buying our instrument.

When the demonstrators deal with those who had no intention of buying a syringe before they were attracted to the demonstration the demonstrators are obliged to do a little more talking, and they report that sales are often made to those who already have a syringe but find them inefficient. Many who have not the money with them come back the next day, or later, to buy one.

Now this is sufficient proof that the instrument is a seller, but the most convincing proofs of all are the reorders we are getting from the dealers that had no demonstration but simply bought them because they saw better profits in ours than in the others. They have no competition because the price is restricted. They were quick

to see that it only required a few simple statements to guide the customer's mind into the right way of thinking.

We will furnish you with booklets to send out in your packages like the others are doing. The rest you can do by placing the instruments where they will attract attention.

(I would stop right here to give the suggestion time to operate, and would generally land my order without further argument.)

The conditions were these: the thing sold was constructively attractive, and desirable for its efficiency, but its salability was untried, and it was not advertised. The class of dealers who handle goods of this kind dislike to adopt anything that is not advertised, or requires any talking to effect a sale.

This I was prepared for, but gave no intimation of my knowledge until I had the buyers properly conditioned to receive the argument that was intended to overcome this aversion. Instead I dwelt on the price and treated the aversion incidentally but convincingly.. I forced the buyer to ask the price for a two-fold reason. The first was to make him show his interest. The second to create a favorable opening for persuasion.

When I named the price I knew perfectly well what the answer would be, for I had proven it by experience.

I had my argument so constructed that after his first and only objection the buyer was left no opening to start an argument or dispute. I convinced and guided his mind at the same time. This is following the line of least resistance.

We will now see how I followed the five rules for controlling the argument.

First. I was thoroughly prepared to overcome any opinion that was prejudicial to the instrument.

Second. I compelled close attention by bringing out the details fully and carefully.

Third. I proved that it was not impossible to get the price for the instrument.

Fourth. I tactfully anticipated the arguments that the buyer would bring up.

Fifth. I avoided confusion by expressing my ideas clearly and by presenting my argument in a coherent manner.

The five phases of the will were passed through as follows:

The Motive was established when I produced my instrument. The faculty of Causality was first aroused and Amativeness affected, but I immediately inhibited Amativeness by a quiet dignity of manner and called attention to the working of the instrument. Here Constructiveness was affected and deliberation set in.

In the phase of Deliberation I led from Constructiveness to Destructiveness when I showed the instrument's efficiency in destroying disease and the indestructibility of the instrument. Then I returned to Constructiveness again when I took the instrument apart. When I put it together again and handed it to the buyer it suggested Acquisitiveness. He Resolved to go further and ask the price.

When I named the price Calculation said "No," and

Combativeness was slightly aroused. I was prepared for Combativeness, so I continued with my argument in a manner calculated to inhibit Combativeness and excite wonder. I created wonder when I reverted to the superiority and indestructibility of my instrument and then saying that the argument was not convincing. Wonder springs from Spirituality. The faculty of Spirituality loves stories, so I presented the balance of my argument in the form of a narrative. The narrative was presented to Spirituality, but the suggestion it contained was aimed at Imitation. As I continued with my narrative and showed the success others were having with the instrument, Imitation was being influenced, which in turn influenced Acquisitiveness, and Desire set in.

While relating the narrative my voice, manner, and expression were in perfect harmony with the buyer.

My voice, manner, and expression contained an impressive sincerity that was constantly influencing the faculties of Imitation and Spirituality, and as I gradually showed how easy it was to sell the instrument, belief set in.

The faculties of Causality and Comparison were at work, but their workings were influenced by my involving the buyer by implication instead of presenting the argument to him directly. That is the secret of the power of indirect suggestion.

The selling talk I have just given is that of a single specialty. A general or specialty line is different, but the five phases of the will are the same. The motive

must be established by some particular article or articles, or by the line as a whole.

The individual items of a line are the selling points, and when it is necessary these items are resolved into their own selling points.

In all lines there are some numbers that are good, some that are bad, and some that are indifferent. They are made so by contrast.

Some salesmen lack self-confidence and arrange all their good numbers together for fear that the buyer will not be impressed otherwise.

This is a mistake, for the good numbers are thrown into competition with each other and the strength of the line is reduced.

If the salesman will distribute his good numbers among the bad and indifferent, all of his good numbers will be shown to good advantage by Contrast, and his bills will be larger.

There is also a difference of opinion among buyers as to what they can use. Some of the bad and indifferent numbers may appeal to them. But this can never be the case when a salesman concentrates all his selling talk upon the good numbers and overwhelms the balance of the line by their superiority.

There is another thing to be taken into consideration by salesmen selling a line for a manufacturer. A manufacturer can make his goods at a smaller expense and make better deliveries when he has less numbers to manufacture. It is therefore to the salesman's, buyer's, and

manufacturer's interest for the salesman to tactfully guide the buyer's selections when the line is large.

There is an observation I wish to make regarding salesmen and their lines. I have known many salesmen to make a success of a reasonably good line, but when they dropped that line and took a better one they failed. The reason for their failure is this: They were overcome by the superiority of the line. They thought that the buyers would be impressed in the same manner as they were. In fact they forgot their salesmanship. They forgot that they were dealing with the five senses and the different faculties of the brain. They forgot that each mind has an opinion of its own, and that the business of the salesman is to influence opinion, not so much by the goods themselves as in the manner in which the salesman presents them.

Furthermore a salesman is not always a competent judge of a line. He is often influenced by the opinions of others.

It cannot be denied that there are some lines superior to others, but they generally have their drawbacks, some of which are as follows:

They sell so easily that there is not much money in it for the salesman.

The manufacturer or jobber is unable to make prompt deliveries or fill all their orders. The customers become dissatisfied and cancel orders. If the salesman is selling on commission he has done much work for nothing.

The manufacturer or jobber with the superior line is

very often too independent, and loses customers for the salesman by their unwillingness to arbitrate differences that may arise.

The salesman is treated as an incident, not as a factor, in the business. Such a position is not calculated to build a strong character. There is not enough responsibility. Be careful before you make a change. Do not be influenced by the opinions of others. Rather improve what you have by finding out its weak points and suggesting improvements to your employer. But remember that all your points are not weak.

In closing this chapter there is one thing that should be impressed upon the mind, and that is to refrain from telling one's business to others. The salesman may have made a large sale and is so happy over it that he can hardly refrain from mentioning his success to others. Should it reach the ears of one of his competitors, his attention is directed to the possibility of selling this same customer, and he will strive to secure the business himself.

Or it may be that the salesman has some articles in his line that are having an enormous sale, and by boasting of these articles he directs his competitors' attention toward getting some of that business by copying or imitating them, and the salesman's monopoly on his good things is gone.

Then, again, it is decidedly unwise to tell anyone your business, especially competitors, for from that very moment you have placed yourself in their power to take advantage of what may appear to you to be a sure thing.

THE SALESMAN.

A bull-frog cannot sing like a nightingale, no matter how much you cultivate his voice.

Nor can you make a silk purse out of a pig's ear. The poor salesman is like the pig's ear—the animal fiber is there, but no process has ever yet been invented that will transform pig bristles into silk.

Nor has there ever been a process invented that will make a poor salesman who says "I can't" or "It can't be done" say "I will" or "It can be done" when the accomplishment of the thing devolves upon the poor salesman's ingenuity, resourcefulness, and action.

Had Lincoln said to himself, "A poor, ignorant backwoods boy can never hope to become a great man," the history of this country would be different than it is today. The poor salesman has the same brain, nerves, and blood as the good salesman, but he has never aroused a desire strong enough to impel him to unyielding action. There are three elements that enter into the character of a salesman.

These are Activity, Emotion, and Intellect.

According to his intellectual ability, the quality of his

emotions, and the amount of his activity, is a salesman good or bad.

There are two kinds of salesmen, the One-Method and the Versatile.

The One-Method salesman is long on Activity and Emotion, and short on Intellect. His activities and emotions are not properly directed. This salesman is generally overcome by the goods or proposition he is selling.

There is another kind of One-Method salesman who is all Activity and decidedly short on Emotion and Intellect. This is the salesman who works much but produces little results.

I do not take into consideration the salesman who is short on all three of the elements, for he is no salesman at all. The extremely Versatile salesman is long on Intellect and Emotion. His Activity is fitful and he lacks application. This is the wonder-worker. He is so emotionally and intellectually developed that he is able to change from mood to mood, emotion to emotion, and thought to thought, with the facility of a moving picture. He is so finely attuned that he senses advantage or danger far in the distance of an argument, and when danger threatens turns down the path of security and evades the peril ahead. One moment he is grave, the next gay; another moment he is convincingly firm, the next diplomatically yielding. Another moment he is outpouring a perfect torrent of argument, the next he is so persuasively soft and low that he thrills his hearer with a pleasurable emotion.

But this salesman is his own enemy for when he con-

siders that he has done enough business his thoughts fly to the present, and present pleasures. His gains are as evanescent as the vapors of the morn.

The best salesman of all is the one who is nearly evenly developed. He has a good intellect. His emotions have not been allowed to become blasé, and he is a steady worker. He is not as brilliant as the extremely versatile salesman, nor do his orders come as easily; but when they do come he appreciates them, and is spurred on by success instead of becoming satisfied.

There is another type of salesman and that is the old salesman who is doing business with old-time friends. He makes little or no effort to gain new business. The first salesman needs development of Intellect. The second needs development of Intellect and Emotion. The third, or as I called him, the no salesman, needs an overpowering desire.

The fourth needs to properly direct and sustain his will. The fifth can be greatly benefited by developing and systematizing his knowledge, and by trying to perfect himself. But absolute perfection is impossible.

The sixth is set in his ways and does not wish to change. The way to develop the Intellect is by systematic study. Plan out what you wish to learn. Then go ahead and learn it.

To develop Emotion read stories of kindness and suffering. Throw yourself into sympathy with the subject.

Read stirring tales of adventure, love, and ambition.

Give free rein to your imagination.

Go to your room, walk up and down, stir your blood

into action, work up your imagination, and put yourself in the place of a conqueror.

This may sound foolish to some, but you can take it or leave it.

Remember, however, that you deal with emotional buyers as well as with the intellectual, and your ability to create emotion in the buyer lies in the ability to arouse emotion in yourself.

Activity lies in the Will.

To develop, strengthen and direct your will, you must handle yourselves like you do a buyer. That is, you must turn the selling process upon yourself. You must first furnish yourself with a motive. Then deliberate upon the motive and ask yourself if it is worth while to attain or accomplish it. You resolve that it is and decide to go further. You then arouse a desire in yourself to attain or accomplish the motive. This you do by becoming dissatisfied with what you have, or are, and by longing or wishing to become what you are not, or to attain what you have not.

When you have aroused desire, go over your plan of action and see what obstacles will be in your path. Consider if you are strong enough to overcome them. If you decide in the affirmative, you have created belief, and this belief should be so strengthened that no power under heaven can change it.

If you decide that you are not strong enough, your will is Evocative; it is still dormant, and needs calling forth. Your desire has not been powerful enough. Put a lazy man fifty miles out on a desert, where he will be

unable to obtain anything to eat, and when he gets hungry he will have a powerful desire to get back home. He will do so.

His motive is necessity, but that is a coward's motive.

A strong man will brave necessity—court it even—to attain or accomplish his purpose.

Furthermore, necessity is not a sustaining motive, for when the necessity is overcome the will becomes passive again. There is no longer a motive. But necessity is a good motive, for this reason—it evokes the will, exercises it, and gives it strength for the time being. When the necessity is overcome, the will can easily be sustained by furnishing it with a new motive.

If the will feels unequal to the task of attaining or accomplishing the motive, desire must be so intensified that all the ingenuity and resourcefulness in the man will unite in evolving his dormant power to remove the obstacles from his path.

As each obstacle is removed, his belief in himself will grow, until at last he becomes firm as a rock, and nothing but dynamite will move him.

Where the will is in action but wrongly directed, it must be reversed.

The man must use an inhibiting idea, supply himself with a motive, deliberate, resolve to go further, arouse desire, and establish belief.

It is a common mistake to call men who drink heavily weak-willed, for they are not. Their will is strong but wrongly directed.

A man will work all week to obtain the money for one night's carouse. His motive is drink.

The man who has received his money and decides to take one drink and then go home, but gets drunk instead, has directed his will wrongly from the start. His intention was good but the one drink inhibited his will and turned it in the wrong direction.

He supplied himself with the motive. He then deliberated and resolved to have one more, then another, until such a desire was created for what he had not that he formed the belief that he wanted everything in sight. One drink to some men is like the taste of blood to a lion—it calls for more.

Other men can take one drink and stop right there. They treat it as an incident, not as a motive. But continued incidents lead to a motive, so beware. The desire to drink springs from the faculty of Alimentiveness, and its strongest inhibiting agent lies in that faculty.

The desire to eat and drink comes from the same faculty. It craves something and must be satisfied. When you have a desire to drink do not do so, but eat instead. The craving will then be gone.

A man who does not drink before a hearty meal will not wish to do so after eating, unless he cultivates the habit. This habit is easily broken off by a little self-restraint, for it is only when the stomach is empty that drink gains a strong hold upon a man.

We would all like to have a strong personality, but few possess it.

You can develop your personality by taking thought—

deep thought. As a man thinks, so is his manner, expression, voice, and actions.

If a man's thoughts are tricky, so will his expression be. If they are kind, good, and honest, his face will express it. A man who constantly and deeply studies his development, his welfare, and the welfare of others, molds his expression so that when the eyes rest upon his face, they are held there and attention is spontaneously given. The intellect behind the expression intensifies that attention, and the hearer feels that he is listening to a man who knows. He is inclined to place confidence in what he hears.

Remember, that when a buyer places confidence in you, the confidence in himself is weakened in proportion to the amount given.

Without honesty you cannot gain lasting confidence, no matter what your knowledge may be. Be honest with yourself, your house, and your customer. Your house will show its appreciation by a raise in salary, provided you do the business. Your customer will continue to give you his business, and as for yourself, you can look the whole world in the face and fear no man.

SCIENCE AND ART.

Science is a creation of the Intellect—Art a creation of the emotions. Science appeals to the Intellect—Art appeals to the emotions. Art is the application of Science—so is Art the application of an inspiration engendered by the emotions. Art bends human nature to its will, and Science is its means.

SELLING GOODS BY CORRESPONDENCE.

The Mail Order Business.

The great advantage which selling goods by mail has over other methods is that it is never subjected to unfair competition. The machinery of the postoffice department will carry the goods of the small dealer just as cheaply as it will carry the goods of the greatest houses.

That business experience and capital are not absolutely necessary in order to make a success of the mail order business is proved by the experience of an Ohio farmer 67 years old, who started in with a capital of only $400 and in eighteen months cleared $25,000.

Colossal fortunes have been made from the business with spectacular rapidity, and men and women with no capital but an idea are still becoming rich by selling goods through the mail. The opportunities are as great as they ever were, and will be still greater tomorrow. The principle of its success is the ability to create the impression that the seller by mail is able to deliver to the person in the out-of-the-way town or place in the country a something that is better and cheaper than the people near such a town can buy in the home market.

Certain ideas have become accepted as vital in the founding of a successful mail order business, and these ideas have been embraced in a few general rules, as follows:

Rules for Successfully Conducting the Mail Order Business.

First.—Go slowly. Don't decide to embark upon a mail order career and then resign your present position without knowing definitely in what direction you are going to work. A few weeks of quiet consideration and planning won't do any harm. As much depends upon the *plan* of selling as upon the *article* to be sold.

Second.—Choose carefully a "leader" or article upon which you will base your main campaign and upon which you can get all the profit. To do this, unless you are already the possessor of an exclusive idea, run carefully over the entire list of what people wear, eat, drink, or need from the cradle to the grave. Nothing is too small or too large to be included in this vast catalogue, and your eventual choice will probably come in a flash of inspiration. Try to get something that the great houses can't get. Today the field of the mail order business is commanded by the person who has a specialty which is strong enough in demand by the people, and over which specialty the mail order dealer has an absolute control.

Third.—Having chosen your leader, investigate carefully the price at which you will be able to offer it to successfully compete with other similar articles. Be sure

that you can sell it through the mails cheaply enough to meet competition.

Fourth.—Do not be content with a single leader. Get from supply houses a number of specialties, and inclose circulars for them in all your letters. Any orders thus gained cost merely the 2-cent stamp that carries the bait.

Best Things to Sell.

In the opinion of an expert student of the mail order field there are three general lines along which the beginner in the business must work. First in order would be an invention of general use—the kind of thing that every family seeing it would want, and which as an invention would be within the control of the house selling it. Second in value is some patent medicine, applicable to common ills, and which will do all that the advertiser may claim for it. And third in the rank of possibilities for a new business of the kind is a new and striking scheme adapted to some overlooked chances, perhaps. For instance, this last possibility in the mail order business may be illustrated in the fact that one of the great real estate concerns of the east is conducted along mail order lines. It was a novelty in the real estate world, but with the ideas of the men behind it the whole scheme has been made to go.

Fifth.—Plan your advertising. Consultation with an expert is a safe precaution, as an advertising man possesses experience that will be valuable to you, even if you are brilliant enough to successfully word your own advertise-

ment. A good plan is to take some article that presents points of attractiveness and advertise it at a price which is strikingly lower than the same kind of an article can be bought for at the local store. Your ad should contain an offer to send your catalogue free, so that while the article advertised may not be purchased, the reader of the ad may be interested enough to send a request for the catalogue.

There is no better means for exploiting the mail order business than is afforded by the small advertisement in a newspaper of sound circulation. Beyond any doubt the small beginner in the mail order business can thus put his wares before the public at a cheaper rate and with quicker returns than through any other medium.

To bring returns your ad should state as directly, simply and convincingly as possible the reason why the reader should buy your article. If from your description he is satisfied that it is just the thing he wants, the all-powerful reason *price* will do the rest.

Sixth.—As a general rule, one-fifth of a small capital is not too much to expend in experimenting. When you begin to get results resign your position, devote your whole time to your new business, and develop it economically and judiciously upon the lines originally decided upon.

Correspondence.

When in response to your ad you receive letters requesting descriptive matter and other particulars regarding the article advertised, you should proceed to work up sales through correspondence.

When one considers the vast amount of advertising done, realizes that the cleverest advertisement can only bring inquiries, and that business which is to accrue depends upon letters, the necessity of a clever letter writer at the helm will be understood.

Every line of business operated today employs one or more competent correspondents, who are in the confidence of the firm and draw salaries that rank them well up among the best paid employees. The ability to write a good business letter is stock in trade on which any man may well put a high valuation.

Distinction, however, must be made between a well written letter from a standpoint of correct English and of business pulling capacity. Many a college man in command of perfect English could not handle a large correspondence as successfully as a business man who has a heart interest in the matter.

These elements must enter in: A correct handling of the English language, perfect understanding of the business at hand and a practical knowledge of human nature. A professional correspondent has a regular system in conducting a large correspondence. He has, in the first place, his "follow up letters," carefully prepared, each one the result of thought and painstaking pruning. No literary worker gives more attention to the small details of his composition than the correspondent gives to each of his letters. He arranges the whole system with geometrical exactness as to its component parts, a certain proportion proposition and a certain proportion argument, varying with each letter from first to last. These

letters are written and rewritten, pruned and repruned, until the correspondent is satisfied they contain strong argument arranged in order to be most impressive.

Then he makes notes on different points or objections that arise or are likely to do so, and answers each of these points in paragraphs couched in the cleverest and most convincing language. These paragraphs are numbered and kept for ready reference. When an inquiry comes in that is already answered in the "stock book" the correspondent has only to refer the stenographer to the prepared paragraph and add the individualizing touch. In this way the correspondent who handles 200 or 300 letters a day can do so with perfect satisfaction to each patron, never hurrying a letter, never omitting an important point, and, at the same time, not overtaxing himself. A great many letters require individual attention, and it is that the correspondent may handle these in the most satisfactory manner that he should have his stock book ready to handle all ordinary cases. It is a great drain to dictate a large number of letters, and the human brain will lag, the right words refuse to come, if all the helps possible are not resorted to.

The Follow-Up System.

In case there is no acknowledgment of the receipt of catalogue or reply to the letter transmitting it, a series of follow-up letters should be resorted to. The following letters are presented as a good illustration of the follow-up system:

LETTER No. 1.

Dear Sir: We beg to remind you that we have not received your response to our letter regarding the "Perfection Gas Heater."

Feeling sure that your inquiry was made because you were interested, we believe your failure to respond was purely an oversight.

Do you desire further particulars?

That the "Perfection Gas Heater" is the best article of the kind in the market is proved by the enclosed endorsements. The price cannot be paralleled.

Trusting we shall receive an early response, and assuring you that in case of your ordering the heater, if you do not find it just as represented you may return same at our expense, and we will cheerfully refund the purchase money, we remain,

Very truly yours,

LETTER No. 2.

Dear Sir: We have not yet received any word from you since we complied with your request for our circular and catalogue, but we still think you must be interested in the matter of getting one of our unequalled "Perfection Gas Heaters." There is nothing else that can take its place, and those who have purchased one wonder how they ever got along without it. You will excuse our friendly persistence, but we know that when we have secured your order we have acquired not only a patron but a champion, whose influence will surely bring us ad-

ditional orders. Our proposition is to send you the Heater on receipt of the price and to refund the purchase money on return of same at our expense any time within thirty days if not found entirely satisfactory.

Expecting an early response from you, we remain,

Very truly yours,

LETTER NO. 3.

Dear Sir: We have not as yet received any response to our letters notifying you of our compliance with your request for catalogue and circulars. You doubtless have read the numerous emphatic endorsements of our "Perfection Gas Heater" by patrons who have used it (if not, we will send you others on request), and we cannot but believe that you are interested in securing one. We do not want you to forget it and us in the rush of other matters. We believe your inquiry was made in good faith, else we would not have gone to the expense of forwarding our printed matter. Our records thus far show no response of any sort from you. The days are getting shorter, the evening hours are getting chillier, and your health and comfort demand that you have a little artificial heat in the home for a few minutes every day. If you have made up your mind that you are not going to act upon our favorable proposition to secure one of the quick-action "Perfection Gas Heaters," which supplies warmth and good cheer on tap for a minute, an hour, or a day, won't you be good enough to let us know the fact, so that we may save further expense to ourselves and trouble to you in posting you regarding it?

As a matter of fair-dealing we are entitled to some kind of a reply.

Very truly yours,

The foregoing letters show the spirit in which follow-up letters should be couched, but, of course, different articles require different arguments in order to make the sale.

The follow-up letter should never be impertinent or show resentment because your letters are not answered or your articles purchased. Wheedling goes a great way in effecting a sale, while nagging almost always drives off a customer.

Never misrepresent any article you have for sale. The days of the "fake" mail business are over. The laws punishing offenders for using the mails to defraud the public or to obtain money under false pretenses are very strict and severe. Every now and then a swindle is brought to light, but the government is stern in ferreting out and suppressing such enterprises. It was the government that gave the mail order business its first great impetus by reducing the rate of postage, and it is the government that has doubled the total trade in the last few years by establishing the rural free delivery system.

PUNCTUATION

So much depends upon correct punctuation in business correspondence, that no treatise on salesmanship by letter would be complete without explicit information regarding it.

The purpose of punctuation is to show the relation of the words employed and thereby to clearly indicate the sense or meaning that is to be conveyed.

The principal points or marks in punctuation are: the comma (,), the semi-colon (;), the colon (:), the period (.), the interrogation point (?), the exclamation point (!), the dash (—), the parentheses ( ), the bracket [ ], and the quotation marks (" ").

The Comma is used (1) after an address: "James, come here;" (2) after certain introductory adverbs, as *however, at length, at last;* (3) preceding *which* or *who,* when introducing an explanatory clause: "Think no man poor, who has laid up treasures in heaven." When, however, the *which* or *who* is used in a restrictive sense, the comma should be omitted: "It is labor only *which* gives relish to pleasure"; (4) often used in place of *and:* "We first endure, then pity, then embrace; (5) to indicate contrast or opposition: "Not only in union *with,* but in opposition *to,* the views and conduct of one another;" (6) in a complex sentence, the dependent clause should be separated from the principal clause by a comma: "When our vices leave us, we flatter ourselves that we leave them."

The Semicolon is used (1) when two or more simple sentences are combined into one: "My friend rose at six o'clock; he breakfasted at nine; and at ten went out for a walk;" (2) When in a sentence complete in construction, a clause is added containing a reason, an

explanation, an inference, or a contrast, it generally should be preceded by a semicolon: "The past seems to promise it; but the fulfillment depends on the future."

The Colon is placed after such expressions as *in these words, the following, as follows*, either expressed or implied. It is also placed after *Dear Sir*, etc., and in reference to Scripture quotations, as Matt. 10 : 14.

The Period is placed (1) after a complete sentence that is not an exclamation or an interrogatory; (2) after abbreviations, as "M. D.," "Esq.," "Mr.," "Oct." (3) After Roman numerals, as "II.," "IV." (4) After a signature or date.

The Interrogation Point is placed after a question.

The Exclamation Point is placed after a word, expression, or sentence, denoting astonishment, emotion or command.

The Dash is used (1) where a sentence is left unfinished; (2) where there is a sudden turn or an abrupt transition; (3) where a significant pause is required. It is often employed in place of the parentheses.

Parentheses are used to enclose a word, phrase or remark which is merely incidental or explanatory, and which might be omitted without injury to the grammatical construction; as, "Know then the truth (enough for man to know).

The Brackets are used to enclose some explanatory remark or phrase; now used principally in dictionaries and other books of reference.

The Quotation Marks are used at the beginning and end of a phrase, clause, or sentence quoting the exact words of an author or speaker. When a quotation is included within another it is distinguished by a single inverted comma at the beginning and an apostrophe at the close.

Division into Paragraphs. — In letter-writing a proper division into paragraphs adds much to the ease of reading what is written. Commencing on a new line the transition to another branch of a subject is made to appear clearly. When a single subject occupies much space, the larger divisions of it should form separate paragraphs, each of these closing with sentiments of peculiar importance.

Buying Goods by Mail

When ordering goods by letter great care should be taken to give all essential particulars. If several items are ordered, the number and kind of each article should be stated. If there are different styles, sizes or qualities of any articles wanted, offered at different prices, the style, size or quality desired, together with the price, should be given. How the goods are to be sent should invariably be plainly stated, whether by freight, express, or mail. If by freight or express, the railroad or express company preferred should be named. If the goods are to be sent by mail, unless advertised to be sent postage prepaid, stamps should be enclosed to cover postage, or the amount included in the Postal Money Order, Express Money Order, or Chicago or New York draft.

The letter should be brief and explicit, but contain enough explanation to make perfectly plain what is required, and the address to which the goods are to be sent should be plainly and fully given.

When goods are to be sent C. O. D., and the parties are not known to the firm, it is always more satisfactory to furnish references—either your bank, or some responsible person in the town or neighborhood.

When shipment is to be made by freight, bill of lading attached to draft, collect, it is invariably more satisfactory to send part of the amount with the order, because, as a rule, it establishes confidence and thereby strengthens your credit. The balance of the amount should be paid promptly on the arrival of the goods, and it will also save storage charges.

The following forms of letters ordering goods may be readily adapted to any particular case, the signatures and orders used being fictitious, merely to show correct forms of complete letters:

Forms of Letters Ordering Goods.

Form No. 1.

Havana, Cuba, March 12, 1910.

Messrs. A. C. McClurg & Co.,
Chicago, Ill.

Gentlemen—Your new catalogue just received. Please send us cheapest way, at once:

2 doz.	Dustless blackboard erasers No. 2711
1 gross	XXX blackboard chalk, white
5 M	XXX high cut, all rag white envelopes, 6¾ size
1 gross	No. 9976 lead pencils
1 doz.	No. 7421 pencil erasers
3 doz.	No. A279 pen tablets, letter size
2 doz.	No. A281 pen tablets, note size
6 doz.	Laird & Lee's Webster's Modern Dictionary, Handy Edition, list 20c

2 doz. Laird & Lee's Vest-Pocket Webster Dictionary, leather, 25c.
½ doz. Standard Ice Cream Maker, $1.50
½ doz. Standard Guide for Locomotive Engineers and Firemen, 75c
2 doz. Standard Spanish Dictionary, leather, 50c

Very truly yours,

JONES & JACQUES.

---

[2]

No. 17 MAIN STREET,
NO. YAKIMA, WASH., Sept. 6, 1910.

The S. S. Gibson Co.,
Oakland, Cal.

Gentlemen: — Please send me copy of Parker's Laws of Business, bound in law canvas, on terms advertised by you in circular received today. If on examination I find the book satisfactory, I will remit $4.50 as payment in full: but if I do not find it as represented, will notify you to send stamps for its return. Truly yours,

R. B. MARTIN.

---

[3]

CHELSEA, VT., March 8, 1910,

Messrs. Laird & Lee,
263 Wabash Ave., Chicago, Ill.

Gentlemen: — Please send by Am. Express, prepaid, the following books:

1 Laird & Lee's Webster's New Standard Dictionary, High School and Collegiate Edition, ... $1.50

1 Standard Guide for Locomotive Engineers and Firemen, ...75

1 Standard Domestic Science Cook Book, leather (Gift Edition, in a box), . . 2.50

$4.75

I enclose money-order for $4.75 in payment for above, which please forward at once as directed.

Very truly yours,

JAMES ROBINSON.

---

[4]

POTTSTOWN, PA., April 3, 1910.

Messrs. Marshall Field & Co.,
Chicago, Ill.

Gentlemen: — Please send the following goods by express:

1 pair ladies' No. 6 pique kid street gloves, $2.00

2 ladies' white lace-edged linen handkerchiefs, best you have at about 85c each;

3 white jet-trimmed jabots, your best values at about $1.00 each.

I enclose money-order for $10.00, and ask that you will please prepay express charges out of balance, and credit me with remainder, pending another order or instructions to return the amount.

Very truly yours,

(Miss) ETHEL THAYER.

[5]

436 Oak Street,
Bloomington, Nev., Jan. 9, 1910.

Messrs. Montgomery Ward & Co.
Chicago, Ill,

Gentlemen:—Please send to my address cheapest way, the following:

1 Crown Jewel Oil Heater, ...	$3.50
1 Pony Premo No. 1 Camera, size picture 4x5 inches, ...	10.80
	$14.30

I enclose money-order for $14.30, and ask that you kindly send goods as soon as possible.

Truly yours,
James A. Smith.

---

[6]

Butte, Mont., Feb. 21, 1910.

Messrs. Sears, Roebuck & Co.,
Chicago, Ill.

Gentlemen— Please forward by cheapest way at once,

1 No. 7682 saddle, ...	$36.25
1 No. 2167 bridle, ...	7.15
	$43.40

I enclose Chicago draft for the amount, $43.40. Kindly ship promptly and oblige,

Yours very respectfully,
Ike Thomas.
Care Benton's Hardware Store.

HOW TO WIN.

What is the prime requisite of success? It can be told in one word—Faith.

It is first necessary that a salesman should have faith in the proposition and in the goods he is selling. Second, he must have an invincible faith in himself if he hopes to win unqualified success.

The salesman who starts out with a line in a half-hearted way, or starts out with the intention of simply trying out the line to see if it will sell is doomed to failure at the start, because he lacks the positive quality of Faith—Faith in the goods, and Faith in his ability to sell them.

Faith in your goods springs primarily from faith in the firm or individual for whom you are working. And it should not be the simple faith that is founded on blind confidence, but the faith that is the result of analysis and absolute knowledge.

A salesman should make sure that those for whom he is working are of unimpeachable integrity; that the things they have to sell will be a benefit or an advantage to the purchaser; and that the firm or individual is in a position to carry out whatever they agree to do.

When the salesman is satisfied on these three points, he has the basis of a confidence that should be absolute and unshakable.

Remember this: No one concern has the best line at the lowest prices. If this were possible, the concern producing the articles could get all the capital it would need to make goods for the entire country and drive every one else out of business.

Experienced merchants do not expect to be always buying the best goods at the lowest prices. They know that certainty on that point is impossible. All they wish to be sure of is that they are buying reliable goods that they can sell at a profit.

Nine-tenths of the salesmen traveling around the country are constantly making the assertion, "I have the best line on earth," and wonder why the assertion carries no conviction to the merchant. They do not realize that the psychological value of the word "best" is practically nil, and in many cases absolutely negative.

In the first place, the word has been so overworked that it produces no effect. In the second place, it is only a broad generality; there is nothing specific or definite about it, and is therefore incapable of exciting any inducement or desire to buy.

Get away from the idea that you must convince a buyer that you have the best line on earth. Instead, you must remember that the merchant's motive for starting in business was to make money—not merely to handle the best goods. You have something in your line that will make money for the merchant; show it to him from

his standpoint and you will have his immediate interest. After you have sold a merchant one order you will find it easier to sell him again.

Remember always: You must have faith in your goods.

Faith in Yourself.

While it is of the utmost importance that a salesman should have faith in his goods, it is equally as important that he should have faith in himself. This faith should spring from a strong character, otherwise it is nothing more than an empty conceit that is liable to embarrassment and discomfiture at any moment.

A strong character is only formed by cultivating Self-Control, Self-Confidence, and Poise, and eliminating Doubt and Fear.

Self-Control.

To cultivate self-control, a salesman must learn to restrain his impulses. Not only such impulses as anger, impatience, intolerance, indiscreet excitement, etc., but also the impulse that leads to injudicious remarks which may at the moment seem a happy inspiration, but which in reality endanger the success of the sale.

In many cases there are certain things that should be suppressed, or not touched upon, and it often requires as much tact and judgment to suppress or avoid detrimental ideas as it does to express those that are essential.

Tact and judgment are inseparable, and self-control is highly necessary to both.

Self-Confidence.

Self-confidence is indispensable to success in salesmanship. Not the brazen, obtrusive, antagonistic self-confidence that steels a buyer's mind against such a bearing, and creates dislike, but the calm, unconscious self-confidence that creates respect and conveys the impression that you are representing a proposition that is worthy of consideration.

Self-confidence engenders self-reliance, and it is needless to say that without self-reliance a salesman can never succeed.

Self-confidence is a positive power, and is the result of knowing oneself, his ability, his deficiencies, and overcoming or supplying those deficiencies; otherwise it is nothing more than mere self-assurance, or self-delusion. Don't yield to that human pest, FEAR.

Poise.

Poise is the armor of the mind. It turns off adverse suggestions or arguments with the ease of the skilled fencer who parries a thrust.

Poise suspends judgment long enough to subject a doubt to analysis, but the mental balance is not disturbed.

Poise is proof against embarrassment and disconcertion. It gives the power to neutralize inimical ideas by a calm suggestion that turns an argument into another variation and changes the aspect of things. Forceful opposition is by this means turned into doubt.

The secret of poise lies in concentration, self-possession, and in knowing your proposition so thoroughly that you can talk it backward or forward, and both ways from the middle, so that it requires no mental exertion to combat opposition. The ideas necessary to neutralize or influence should come spontaneously, so that the mind is allowed to concentrate itself upon the one idea: "You should have my goods."

This mental attitude will be a positive factor in helping you to make sales, and establish friendships.

Eliminating Doubt and Fear.

There is not a salesman living who has not been worried by doubt and dismayed by fear in one form or another.

Doubt is a precursor of fear. It commences in hesitation or indecision, and, unless the antidote of successful analysis is applied, enervating fear ensues. With fear in the ascendency, success is impossible.

Auto-suggestion is constantly being recommended as a cure for fear. This means that if a man repeats to himself: "I am not afraid—I am courageous," and pictures himself as being courageous in action, he will come to feel that he is not afraid.

This is very good as far as it goes, but it does not go far enough. It can only be an aid, or a palliative, but not a positive cure. Let us tell you why:

Fear is caused by ignorance. In order to cure a disease, or an evil, it is necessary to remove or destroy the

cause. True knowledge is the only destroyer of ignorance.

Let us illustrate: A child tries to open an oven door with its bare hand. The door is very hot and the child is burned. Thereafter the child is afraid to touch the oven door until it learns that by protecting its hand with a cloth it can open the door without being burned. When it learns this, it has gained knowledge, and the knowledge has killed the ignorance. The child is no longer afraid.

Again: A salesman is asked to solicit the business of a man of large affairs. The salesman doubts his ability to sell the man. He says to himself: "This man knows more about the business than I do." The fear of failure grips him. He determines, however, to make the attempt, but is worsted. After leaving the man he analyzes the situation, and finally sees where he has made a mistake, or how he can overcome the objections that have been raised. He has learned something and is no longer afraid. He returns full of confidence and shows the man where they have both overlooked the true state of affairs. The man sees that it is to his advantage to deal with the salesman, and places his order.

Had the salesman allowed his fear to deter him from making the attempt, he would have remained unenlightened; the sale would not have been made, and ignorance would have been the cause of it all.

When a salesman learns that the most fatal consequence of failing to make a sale is a gaining of knowledge, he will no longer be afraid.

The Motive Power.

The motive power that drives men to success is derived from Ambition, Enthusiasm, and Determination.

True ambition incites a salesman to action; it will not allow him to remain inactive.

Enthusiasm gives a salesman a genuine liking for his work, and without a genuine liking for his occupation no salesman can succeed.

Determination gives a salesman the tenacity of purpose—the stick-to-itiveness—that is necessary to accomplish anything that is worth while.

Many a general on the battlefield has been whipped, but he did not let himself or his men know it, and in the end has won great victories. The salesman who can cope with the most discouraging conditions many times wins the greatest success.

(A few of the following lines may give offense to some of our readers. If so, we shall be glad for their sake. Some men must be stung to the quick before they can be impelled to action.)

The salesman without ambition is figuratively the tramp of the business world. The tramp gives no thought to the future—he is always living in the ever-present now. He has chosen the profession of tramping because it is the easiest way of existing until he is claimed by the Potter's Field. Work to him is a natural evil; it causes pain, distress, and is a calamity. Thought to him is a moral evil, for it is unjust to make men think. He is lazy—both physically and mentally.

The salesman who is physically and mentally lazy chose the profession of salesmanship because it appealed to him as an easy path to success, entailing but little work, requiring no brains, and affording him the pleasures and comforts of life with the least possible effort. He no doubt had ambition when he aspired to become a salesman, but when his aspiration was realized his ambition died an ignoble death.

No salesman who is devoid of ambition can ever hope to attain permanent success. Through a happy combination of circumstances he may prosper for a while, but when the circumstances that have favored him are altered he is necessarily doomed to failure, for he lacks the qualities that sustain the salesman urged on by ambition.

Self-satisfaction, Indifference, and Resignation are three great foes to Ambition and Success.

Self-satisfaction causes a man to lean back in his chair and say: "I have done well enough for a while, and now I'll take a rest."

This is going backward, for you must either progress or suffer retrogression; there is no standing still. Furthermore, a frequent repetition of this resting will engender a love of ease that will be hard to overcome.

Indifference leads to carelessness, and carelessness is heedless of consequences. When you disregard consequences you are rendering your judgment worthless.

A salesman must constantly exercise his judgment, otherwise he will do or say something that will prove fatal to him.

Resignation is the harbinger or acknowledgment of

defeat. To resign yourself to circumstances is an admission of a broken spirit. Once your spirit is broken, your chances for success are almost hopeless. There are very few who have been able to regenerate themselves after yielding to the enervating influence of resignation.

When you feel yourself slipping backward to resignation, then comes the supreme test of your character. Then is the time when you determine whether you are a weakling and are ready to join the down and out class, or whether you have the power within you that has been lying dormant through neglect, and are able to arouse that power to a pitch of sublime courage that arises and says to failure when it calls to claim you for its own: "No! I do not belong to you. Even though you have loaned me fear, discouragement, and depression, I did not bargain to pay my soul in usury. Here! take them back. I want them no longer, but I defy you to collect your usury."

There is a courage that is born of desperation that has pulled many a man from the very jaws of failure. It seems to lash every idle faculty into action and generates a power that is almost irresistible. These men were indifferent to the power that lay within them until they were absolutely forced to exert it. Would it not have been better to have cultivated and used this power during the time they were on the road to failure? Much time would have been saved and they would consequently be farther ahead. The reason in many cases lies in the lack of genuine ambition.

Men of genuine ambition are not plentiful. The ma-

jority of men are only half ambitious; that is, they have a desire for wealth; they have a desire to be somebody, but they lack activity—activity of both mind and body.

The genuinely ambitious salesman is constantly and always thinking; studying when he has a chance, and seeking knowledge that will aid him in his business. He has an unalterable belief in his ultimate success, and works to that end.

In closing on this subject, we would warn the salesman against self-indulgence. It leads to a love of ease and ends in idleness and dissatisfaction with one's self.

Originality and Resourcefulness.

The value of originality lies in its power to hold attention and create thought. It invests a subject with a new character and therefore gives it a novelty that charms the imagination.

There is nothing wonderful about originality; its secret lies in knowing how to combine two or more old ideas, or things, that will form something new.

To be a creator of original ideas it is necessary to acquire knowledge, and then digest it. After you have digested that knowledge, the ideas that constitute it become part of yourself, and the balance merely lies in fitting your different ideas together as you would a jig-saw puzzle. That is all there is to originality.

Resourcefulness is fertility in expedients. In order to become resourceful, it is necessary to have a fund of ideas that you can draw upon, and use, instantaneously.

This will give you the ability to overcome or circumvent obstacles that would otherwise overwhelm you.

Originality, Ingenuity, and Resourcefulness are closely allied. They all come from the same source; namely, the ability to combine ideas.

Learn to combine your ideas.

When accepting a position be careful to observe the rules.

If smoking, chewing tobacco, using profane language or chewing gum is not allowed in the establishment it is important that you yourself should live up to the requirements.

Be temperate, truthful and persevering, because this is a lasting asset that is sure to count in your favor.

Whenever you can set a helpful example for others don't miss the opportunity. While the proprietor or manager may not at the time seem to notice you, remember the trained business eye most always sees what's going on, and the day may come when you may be advanced to a higher position as leader while others will be still lagging behind as followers.

THE RETAIL SALESMAN.

While there is a difference between selling at wholesale and selling at retail, it must be understood that the principles of salesmanship are the same in both. The principles outlined in the preceding pages are applicable to the retail business as well as the wholesale.

The main difference between the retail and wholesale salesman lies in the fact that the retail salesman waits for customers to come into the store, whereas the wholesale salesman must go out and make customers. But after customer and salesman are brought together there is as a rule practically no difference; the mental process is the same whether you are selling one shirt at retail or ten dozen at wholesale.

The retail salesman, as well as the wholesale salesman, must have a genuine liking for his work. It is, in fact, the only road to success.

No employer likes to have a salesman who regards his work as a hardship. He knows that the salesman will be indifferent toward his customers, and careless of his stock. He knows that the salesman will hurry through everything so that he may be alone with his oppressive brooding and discontent.

Probably the first question an employer should ask a salesman applying for a position is whether he likes his calling, and then judge his man from the manner in which he answers.

A strong liking for his work is the anchor that holds a man to his job. When it is necessary to lay off some of the force of salesmen, this man remains, while those who are indifferent to their work are usually laid off.

Many salesmen overlook the opportunities that the field of retail merchandising affords. First: It gives an opportunity of learning business methods. Second: It gives an opportunity of learning merchandise. Third: It gives an opportunity for studying human nature in the act of spending money.

These three things are invaluable to the retail salesman who is saving money to start in business for himself. He is enabled, through the knowledge and experience he acquires, to avoid many mistakes that would otherwise cost him very dearly were he to start in business without experience.

Again, a salesman has an opportunity of becoming a buyer, superintendent, assistant manager, manager, or head of some of the various departments in a large establishment. In a small establishment there is a possibility of being taken in as a partner.

Furthermore, it should not be understood that the pay of the retail salesman is always small. There are many salesmen in the larger cities making from twenty-five to sixty dollars per week. They are men who have improved their opportunities.

To the retail salesman who is desirous of becoming a traveling salesman it may be said that some of the best traveling salesmen were retail salesmen before they started on the road.

There is one thing that a salesman should see in the proper light, and that is, his employer has paid good money for every article he has in stock. It is therefore the salesman's duty to keep the stock entrusted to his care in a clean and undamaged condition. Otherwise the loss incurred through damaged goods will eat up much of the profit that is made on other goods. It is hard enough to buy the right goods, without the additional handicap of having them damaged. The salesman cannot be loyal to his employer if he allows his goods to become damaged.

In keeping stock a salesman should have a system whereby he can lay his hands on any article at a moment's notice. The stock can be kept according to price, size, color, style, or according to any peculiarity or dissimilarity that differentiates one thing from another.

Your stock should be kept in such a manner that, if you were to be detained from business for a time, another man could step into your stock and become familiar with it in a short while.

Some men are so small and petty-minded that they imagine that they have a hold upon their employer by keeping their stock in such a manner that only they themselves can find the articles wanted.

The salesman should get that idea out of his head immediately. No employer will allow himself to be

coerced in such a manner. He will simply wait for an opportunity to discharge such salesman, and his recommendation to another place may not be of the best.

As to knowing the goods and prices he is handling, a salesman should learn all that he possibly can. His knowledge is his stock in trade; it is the ladder by which he climbs higher and still higher.

The story of how a young dry goods salesman rose to the position of buyer in a few years through knowledge will illustrate this point. This salesman was employed in a piece goods department of a dry goods store in a large city. One day the salesman was requested by the buyer to bring him samples of all the fancy woven goods he had in stock. That means that the colors are dyed in the yarn before they are woven. Among the samples brought to the buyer was one that was printed on both sides in close imitation of woven goods. When the buyer saw this sample he picked it up and tossed it to the salesman, saying, "I don't want that; it's not woven, you 'know-nothing.'" The salesman picked up the sample, pulled out a few threads and saw that it was printed. Right then and there he resolved never again to deserve the name of "know-nothing."

That evening he went to the public library and secured a dry goods dictionary. From this dictionary he learned the names of the different materials. During his lunch hours he would go to different stores and get samples of materials he wished to know about. He secured samples of the same materials at different prices from all

the big stores. He then compared them and in this way was able to learn much regarding values.

He then took up the study of textiles; learned the difference between woven, knitted, and felted goods, and how they were manufactured. He learned about bleaching, dyeing, printing, and how patterns are extracted from goods dyed in the piece. He learned the difference between vegetable and animal fibres, and how they were combined in manufacture. In fact, within a few months he acquired a mass of knowledge that he might never have gained through actual experience.

He then set to work to put this knowledge to use. Going to the different stores that handled the same goods as his department, he secured samples which he compared with the goods in his stock. He saw that some of the stores were selling goods that could be handled to advantage in his department, and suggested this to the buyer.

It was quite a surprise to the buyer to see the "know-nothing" making suggestions to him, but he saw that the young man was right. To probe the depth of the young man's knowledge, the buyer asked him several questions, which were answered promptly and correctly. The buyer said nothing at the time, but simply thanked the young man for his suggestions.

Not long afterward the buyer's assistant was discharged and the young man was promoted to the position of assistant buyer. Some years later the buyer was offered a position at a larger salary by a concern in another city, which he deemed advisable to accept. When

tendering his resignation, the buyer recommended the young man whom he had called a "know-nothing" as his successor. The management, who had been keeping a watch on the young man for some time, decided that he was fit to fill the position, and he was made a buyer.

The foregoing illustration contrasts strikingly with the indifferent and careless salesmen we meet daily in any retail establishment, small or large. Many of them are constantly drifting about from place to place; always dissatisfied, but their dissatisfaction is not of the kind that fills them with an ambition to learn more, earn more, and be somebody.

The salesman whose services are confined to a single department has the opportunity of becoming a specialist in his line, while the man who sells various lines has an opportunity of gaining a wider scope of knowledge that will enable him to get a position at any time he may need it. To the latter, however, it should be said that it is best to know one line well and the balance as well as you can. It is the specialist who makes the most money nowadays.

Regarding a salesman and his customer, it should be said that a salesman cannot treat all customers in the same manner; but there is a manner that a salesman will do well to cultivate: This manner is a commingling of respect for himself, respect for his customer, and respect for the goods he is selling.

At this manner no one can take offense, and from this manner you can quickly change to any manner to which it may be necessary to adapt yourself.

It is often both laughable and irritating to be waited upon by a smirking, over-polite salesman. His affectation and exaggerated effort to please, instead of pleasing, creates contempt.

There are some salesmen who are discourteous, and others who are indifferent. The fault in many cases lies in their not having been shown the right way of thinking.

If a salesman will constantly think from his employer's standpoint, he will acquire a training that will give him a mental attitude that is beyond price.

Next in importance to knowing his goods is knowing his customers, their wants and their ability to purchase. The high-class salesman makes it a point to first find out what his customer can buy, and when he has learned just about what is wanted as to material, style, price, etc., there is not much effort required to make the sale.

The inexperienced salesman shows goods at random, and it's a mere matter of luck if he happens to hit upon what the customer wants. From lack of information that might have been obtained for the asking, he is likely to show the prospective purchaser something he or she might want, but was unable to pay for, and which might be liked so well that anything of a cheaper grade would cause dissatisfaction. And then a person dislikes to ask the salesman if he hasn't something cheaper, as this is offensive to one's self-esteem. Many a possible sale is lost in this way.

Another common mistake of the inexperienced salesman is to excite a negative suggestion in the mind of a customer by the query: "There's nothing else I can show

you, is there?" To which it is but natural for the customer to respond: "No, I think not." Now, an experienced salesman invariably so words his inquiry as to awaken a positive suggestion. For instance, after a purchase has been made or a customer has reached a decision not to buy the articles shown, the expert salesman will ask: "What else can I show you?" Or he will show some popular novelty and say: "Here is something in the line of the goods you were asking about that we are having quite a run on—perhaps this might be just what you want."

The natural or real salesman knows but one purpose, and that is, to produce profitable results for his employer. This makes for his own advancement.

Be always optimistic.

"Turn your face to the sun and the shadows will fall behind you."

DRESS, APPEARANCE, AND WHAT IT MEANS.

A salesman is generally judged by the manner in which he dresses. In fact, his dress is an index to his character. A salesman who wears flashy jewelry, gaudy neckwear, extreme styles in clothing, hats, or shoes, is regarded as a vain, frivolous, and unsubstantial man. But the salesman who wears conservative styles of good material is instantly regarded as a sensible, prosperous, and substantial man, who is entitled to, and is given, respect wherever he goes.

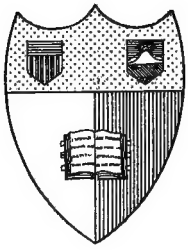
The sole object of a salesman's dress should be to command respect, not to create admiration. You are on the road to persuade business men, not to fascinate or attract the attention of the opposite sex. To dress poorly, with the object of influencing sympathy, is foolish. Ninety-nine out of every one hundred business men will feel that if you are not successful enough to enable you to wear clothes becoming your position, you ought to seek another occupation.

Your dress is part of your capital. Many men, through an adverse combination of circumstances, have been reduced to pecuniary embarrassment, but by managing to keep up their dress were able to land in a good position.

Keep up your dress, by all means, but let it be like yourself—clean-cut and substantial.

The Human Side of Business

Frederick Peirce



New York
State College of Agriculture
At Cornell University
Ithaca, N. Y.

Library

Cornell University Library
HF 5438.P4
The human side of business,
3 1924 013 823 236
mann

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924013823236

THE HUMAN SIDE OF BUSINESS

The Human Side of Business

By

Frederick Peirce

B. S. E., Wharton School of Finance and Economy, University of Pennsylvania; Formerly Vice-President, for eleven years Manager of the Philadelphia Office and subsequently General Sales Manager of N. W. Halsey & Co. of New York; Senior Member of Frederick Peirce & Co., Philadelphia.

Published by
The Investment House of
Frederick Peirce & Co.
Philadelphia
1917

@
HF5438
P4

Copyright 1917
By Frederick Peirce & Co.

Co 19641

Press of
The John C. Winston Co.
Philadelphia

CONTENTS

CHAPTER		PAGE
	Introduction	9
I.	The Bond Business	13
II.	The Bond Market	18
III.	The Bond House	26
IV.	Salesmanship	36
V.	Material for Salesmen	44
VI.	Employing Men	61
VII.	Training Men	72
VIII.	Personal Sales Management	82
IX.	The Development of the Bond Business	96
X.	Sales Methods and Ammunition.	116
XI.	Selling Country Trade	133
XII.	The Personal Side of Selling	151
XIII.	Advertising and Advertising Devices	184
XIV.	Fifty Financial Facts	195
XV.	Tendencies of the Business	208
XVI.	Conclusion	214

INTRODUCTION

Every person who works for a livelihood has something to sell. This is a fact not usually realized by those concerned, yet a lawyer barters his services, a physician his professional skill, a manufacturer his product, an actor his power to entertain, and a mechanic his technical labor. Whether one be a vender of goods, services, knowledge, ability or credit, it is self-evident that to obtain the most remunerative results he must make the proper presentation of what he has and the most effective use of his natural talents.

Since human nature is the same the world over, it follows that the personal methods which are productive in one instance will be in another, and that there are certain underlying principles that can be commonly applied. The libraries are well stocked with business literature, but the fact remains that nearly all of the available publications are so general in character that they have little tangible value or else are so technical that they are of use only in special lines.

The purpose of this book is to portray a phase of business that, from a practical point of view, is more important than all the others.

It is the human side, whether it be called the psychology of salesmanship, the personal equation, or the fourth dimension, and it is particularly well illustrated by one specific business, —the marketing of bonds, because the latter appeals directly to the mental processes and is the highest type of salesmanship. The plan, then, is to explain the personal methods which were used effectively in building up a dominant organization, with the idea that they are capable of adaptation, and if in this attempt the writer digresses somewhat from the direct path or appears to draw too frequently upon his own experience, it is to give a concrete view of the subject and for the sake of clearness.

In the training of bond men there has long been felt the need of a real handbook relative to the subject,—one that adequately treated of personality in selling and of the means that should be employed to develop an intimate and profitable relationship between salesman and customer; that set forth the broad field open to individuality and explained the most effective courses of thought and action; and that would make men realize that in themselves lay the opportunities they sought and would enthuse them and inspire them to greater effort.

In the Spring of 1913 the writer adopted the

plan of employing simultaneously a number of inexperienced men as raw material for salesmen. Theretofore the training of two or three individuals at one time was comparatively simple on account of the possibility of giving personal attention to each one but with the advent of a larger group, this method became impracticable and the necessity arose of finding some way of training men wholesale. The experiment was therefore tried of collective coaching through a course of ten lectures of a very practical nature given by the writer and various members of his organization. They were informal in character, for the most part extemporaneous, and were reported stenographically.

As these talks were somewhat different from the usual type of financial exposition and far more interesting, extracts are given here from the four least technical ones, and each is represented by a chapter. Attention was paid to neither rhetoric nor diction, but simply to a clear and forceful presentation of the subject. Furthermore, some of the continuity was lost by the speakers being interrupted with questions and by the inability of the stenographer to take down the discussions accurately and in their entirety. The first one (Chapter IX) was delivered by the writer and the other three

(Chapters X, XI, and XII) by members of his staff on outlines which he prepared, and all of them were edited by him, as well as was possible to do from the stenographer's notes without spoiling the directness of speech of the lecturer.

Incidentally the three chapters named show how certain men, without previous knowledge of the business and with limited experience, by being coached in accordance with well defined methods and a consistent policy, developed into three of the most successful salesmen of the time. Each had naturally found his own way of expressing himself but the fundamental training underlying the experiences given, was the result of patient tutoring and carefully conceived plans.

The ideas outlined herein are not the fruit of idle speculation but the result of close application over a period of fourteen years during which the writer advanced from the lowest position to the highest, in the second largest bond distributing house in this country. So while this book falls far short as a literary work, it is based upon broad, practical experience and on that account may help to supply an existing deficiency.

FREDERICK PEIRCE.

June 1, 1917.

CHAPTER I

THE BOND BUSINESS

According to the accepted economic definition all goods, property and commodities constitute wealth. The latter is divided into two classes. The first is unproductive and includes undeveloped real estate, residences, pleasure cars, works of art, and all articles used or consumed in the comfort and enjoyment of mankind. Such things have both actual and exchange value but since they do not in themselves contribute to the increase in the world's stock of goods, are simple wealth. The second or other class includes factories, machinery, railroads, ships and all property which in any way aids in the manufacture or creation of additional commodities. It is productive wealth or capital. Capital, then, is that part of wealth which is used to produce other wealth. This use may be either by its owner or by some one else to whom it is loaned. Therefore one man's wealth may serve as another man's capital.

Since all goods can not conveniently be passed from hand to hand, from one owner to another, or from a lender to a borrower, it is

necessary to have a recognized standard of value or medium of exchange. Owing to its superior advantages this standard, in practically all civilized countries, is gold. For the purposes of appraisement, exchange or loan, then, wealth is expressed in terms of the gold dollar or its equivalent.

Because capital has the power of reproduction its use has an exchange or rental value which is called interest. The productivity of capital depends upon the efficiency with which it is employed. Consequently the rate of interest that may be charged is based upon the relative productivity of capital at a given time in conjunction with the degree of risk to which it may be subjected.

Capital that is loaned is usually evidenced by interest bearing obligations such as notes or bonds. If, on the other hand, it is supplied by two or more owners jointly, and used by them directly it is generally represented by partnership shares if the association is unincorporated, or if incorporated, by evidences of proportionate interest called stock certificates. The stockholder is an owner and entitled to profits or dividends if earned, while the bondholder is a creditor and entitled to interest on the money he has loaned.

Since the bondholder is a creditor, he has first claim on the assets up to the full amount of his claim and in accordance with the terms of the agreement. He likewise has first call on the surplus earnings from operation up to the amount of the annual interest accruing to him, and to the amount of his principal at the maturity of the loan. The stockholder assumes the operating risk but is entitled to the profits of the business after the claims of the bondholder are satisfied.

Surplus wealth accumulates most rapidly in the older, richer and more developed sections of country or lines of industry where it is least needed. Its tendency there is to become less productive or idle and its loan value or rate of interest to decline. Capital is in greatest demand in the newer and undeveloped places or industries where there has been least opportunity for surplus wealth to accumulate. On account of the profitableness with which it can here be employed, the tendency is for its loan value to increase. Capital is constantly seeking investment opportunities and vice versa. Supply and demand tend to equalize and the resultant is a normal rate of interest. This equilibrium is often upset by abnormal conditions. Thus when the supply of available funds ex-

ceeds the demand, interest rates decline and when the demand exceeds the supply, interest rates rise exactly as does the cost of commodities under similar conditions. However, every action in one direction must inevitably be followed by a proportionate reaction or compensating movement and the normal is reached whenever the opposing forces approach a balance.

The development of the natural resources of a country and the creation and expansion of large agencies of production and distribution are usually financed largely through the use of borrowed money. It is seldom that any public or private corporation is able to provide its capital requirements from its own revenues. Stockholders or owners of railroads and industrial concerns sometimes advance part of the funds needed but usually outside sources must be drawn upon. The bond business supplies the machinery through which this is done. Through it unemployed capital becomes a productive force; and surplus wealth is transferred from the place where it has accumulated and become impotent to the place where it contributes directly to the creation of other wealth. The demand for suitable investments is just as insistent as the demand for capital, and the sat-

isfying of this demand means the procuring of securities that are both safe and profitable. Thus the bond business has a double duty and performs a double service—providing capital for those who need it and supplying safe investments to those who require them. One function is the complement of the other and the failure of one means the failure of both.

The bond business is not a parasite in the economy of commercial and industrial progress. It occupies a position that is not only indispensable but one of the most important in modern life.

CHAPTER II

THE BOND MARKET

The average man probably thinks of the bond market as a circumscribed place or district where millionaires and bankers meet and carry on their negotiations for the purchase and sale of securities. Those of some financial experience may have a mental picture of a group of such districts located at points widely separated geographically, such as the various larger cities, but connected by a network of private wires and bound together by a community of interest as inseparable as that which ties together the various units of a legally divorced, modern industrial corporation. Still other people think of the bond market as being confined to the New York Stock Exchange and the few outside exchanges that follow its lead. Not one of these conceptions does justice to the enormous aggregation of wealth, and the great army of investors that constitute the real present day bond market, an institution that extends from ocean to ocean and from continent to continent, and embraces in its vast membership people of every nationality, of

every color and of every degree in the social and economic scale. It is not exaggeration to say that wherever civilized people are found, there is the bond market. The financial districts are merely the focal points, the centers of influence and the clearing houses where the lenders and the borrowers meet through the aid of bankers, brokers and bond houses.

In this country (to which the present discussion is confined) an overwhelming percentage of the bond buyers is composed of people of moderate means. While the aggregate annual purchases of institutions and wealthy individuals reach an almost incomprehensible amount, it is doubtless true that the average sale of bonds for investment is in the neighborhood of only three thousand dollars. Likewise, the personal property of a large proportion of the bondholders amounts to less than twenty-five thousand dollars per person. Statistics on this point are not available and probably do not exist, but these estimates are based on a study of many thousands of transactions that have come under observation.

Investment specialization is probably the most pronounced characteristic of the bond market. Buyers may be classified according to their requirements. The latter may be com-

pulsory by statute or voluntary according to the knowledge, whim or taste of the individual. While it is impossible to be familiar with all the various conditions and the legal restrictions existing in the different states, a general discussion of the subject with a few illustrations will indicate the many sides of the bond market from the buyer's point of view.

Insurance companies, particularly those writing life policies, annually absorb a large volume of securities. Each state has its own laws governing the investment of the capital and surplus funds of such companies. Usually the statutes are quite specific in the matter of capital investment and it is not unusual for it to be confined to the obligations of municipalities located in the states in which the companies are domiciled. Fire, accident and casualty companies are generally allowed a little more latitude than are life companies. With regard to the investment of surplus funds and policy reserves, the directors or trustees are usually given pretty free rein except that many states require foreign companies to deposit with them a certain amount of domestic securities before writing any business in those states. However, these special requirements affect only a small percentage of the investing done by insurance

companies and we find them buying large amounts of municipal, railroad, public utility and occasionally of industrial bonds. The proportions vary according to local conditions and to the preferences and experience of those upon whom devolve the guardianship and protection of the policy holders. To give a comprehensive description of the laws of the various states governing the investment of the funds of insurance companies would require a book in itself, and be quite beyond the intent of this discussion.

Saving funds, that is savings banks without capital stock, are restricted in their investments more than any other class of institutions. These funds are largely confined to the New England and the Middle Atlantic States and the laws covering them are very specific. With few exceptions they are required to invest in real estate mortgages, high class municipal bonds and the best of the steam railroad securities. Many saving funds operate under special charters which antedate the state laws governing them. In Pennsylvania for example, nearly every one has a charter issued many years before the passage of the general act. Institutions of this character are in the nature of a charity in that they are not formed for

profit. Therefore they are concerned more with the matter of safety than they are with the rate of interest. Savings banks with capital stock on the other hand are business corporations and are governed by the same laws as those which cover state banks and trust companies. There are, however, comparatively few banks of this character as a large proportion of state institutions operates under trust company charters.

Trustees of estates are generally subject to the same restrictions as those which apply to saving funds and the requirements of any one state are different from those of every other state. The best and most comprehensive laws are found in New York State and some of the New England States, where definite rules are laid down and within the prescribed limits, trustees are allowed some latitude in their selection of high class securities. In Pennsylvania the law is archaic and a distinct handicap to trustees, as well as a hardship to the beneficiaries for the only permissible investments are real estate first mortgages and bonds of municipalities located within the state. Consequently a premium is placed upon municipal bonds and mortgages of inferior quality, or else an estate must be satisfied with a compara-

tively low rate of interest. To avoid these two extremes, many wills contain express provisions waiving the law and relieving the trustees of any responsibility for errors of judgment.

Trust companies may invest in practically anything they desire subject only to the supervision of the state banking departments in order that their capital may not be impaired and their deposits jeopardized. Some states require that reserves must be maintained equal to a fixed per cent of the deposits, and that these reserves must be invested in certain specified classes of securities.

National banks have almost as much latitude as trust companies except that they are under the direction of the Comptroller of the Currency, whose supervision is more strict than is usually the case with state officials. Definite rules, however, are laid down by statute with regard to security for national bank notes, for government deposits and for postal savings funds.

The private investors or individual buyers are greater numerically than all the various institutional purchasers of securities combined. They constitute the great ultimate market, the market that buys to hold. Banks and trust

companies as a general rule prefer to loan their funds to their depositors—to "grant accommodations" that will bring them additional business. Outside of their reserves, they look upon their bonds as liquid assets that can be converted into cash whenever they find it of advantage to do so. Therefore they are usually more interested in the ready marketability or the possibility of profit of a bond than they are in its permanent safety. Frequently they take participations in new issues with the avowed intention of reselling them whenever they can obtain a profit even though in so doing they place directly or indirectly upon the house of issue the burden of remarketing the securities at advanced prices. The individual investor, however, except in rare cases, buys to hold, with safety of principal the paramount consideration. Only a very small percentage of his purchases comes upon the market again. He is not such a close buyer as the institution, he invests more largely in the class of securities in which there is a reasonable amount of profit to the bond house, his business is not so competitive and he does not weaken the market by throwing over his holdings on the least provocation. For these reasons the private investor business is preferred by many bond houses and eagerly sought after by all of them.

Probably the one thing that causes the most sorrow to the conscientious bond house is the fact that so few customers, whether banks or individuals, can differentiate between good bonds and inferior ones. This, of course, makes it easier for the vendor of second rate and third rate goods, but it increases the difficulties of the house that is honestly endeavoring to handle only sound issues and by so doing to win and hold the confidence of the investing public.

CHAPTER III

THE BOND HOUSE

There are almost as many different kinds of bond houses or investment bankers as there are men of different ideas in the business. In other words, the methods pursued and the policy followed by any given firm are based upon the theories and experience of those who control and direct it, and likewise its standard of ethics is in proportion to the integrity of its head. There is probably no other business where the personal equation is so directly reflected in methods and policies. While it is neither possible nor expedient to attempt to give here in detail the distinguishing characteristics of all the different kinds of organizations that devote themselves wholly or in part to the selling of securities, a brief outline of some of the more prominent types is necessary to convey an intelligent idea of the scope and character of the business.

Certain large firms confine themselves exclusively to wholesaling. They are limited in number and each negotiates annually transactions aggregating hundreds of millions of dol-

lars. They are known as exclusively underwriting or originating houses. Frequently in large operations two or more of them work together. They usually distribute their purchases through selling syndicates, composed of distributing houses and bond dealers generally. Sometimes there is an intermediate group or purchasing syndicate composed of the larger banks and distributors which takes the bonds off the hands of the wholesaling houses, and guarantees their sale through a selling syndicate, the members of which place the securities both through brokers and direct to customers. Thus, between the original borrower and the ultimate lender a bond may pass directly through the hands of four or more middlemen, each of whom levies his toll in turn. This, however, is an unavoidable feature of large financing, and the cost of the operation is not out of proportion to the service performed, though frequently the compensation is not divided in accordance with the responsibility assumed or the work done by the various participants.

The form of a syndicate varies according to the nature of the financing, but generally speaking a wholesale house buys from a government, municipality or corporation a block of bonds at a given price, and sells it at a higher

price to a group of houses which in turn disposes of the issue at the final price to the ultimate consumers. For instance, a railroad corporation in financing its requirements might sell to a wholesale house a large issue of bonds at 95 (cents on the dollar). The wholesale house in turn might resell the entire block to a syndicate at say 97. The final selling price to the public might be fixed at 98½, and usually from this final price there would be a brokerage or commission to the distributing house, all or part of which commission might or might not be given up, according to the terms of the agreement, to brokerage houses not members of the syndicate. Syndicate members are entitled to the selling commission upon all bonds drawn down or placed by them, but the syndicate profit is divided not according to bonds sold but according to the proportionate participation or liability assumed by each member. If a syndicate is not a success, that is if the bonds do not prove a ready sale, the unsold balance is usually divided among the members in proportion to their participations. The writer has long felt that syndicates as an institution were not fair to those who did the most work and obtained the largest results and to offset this, he provided in a syndicate which he had

occasion to form some time ago, that the profits should be divided two-thirds according to the amount of bonds sold by each member and one-third in proportion to the contingent liability assumed by each.

This same view is common to many other dealers and during the past two or three years there has been an evident attempt to equalize matters by providing for a sliding scale of selling commissions based upon the amount of bonds sold. Of the two methods named the straight division of profits into two classes, is the fairest and most efficient method and best accomplishes the desired results, that is, the ready sale of the bonds with a just distribution of the profits to all concerned. An even greater inequality usually exists in the division between the wholesale house and the selling syndicate as a whole. However, as the wholesale house always controls the financing, and invites the members into the selling syndicate, it is in position to dictate the terms. Any house that does not care to accept an invitation on the predetermined basis, may stay out, but at the risk of not being invited a second time. The success of a wholesale house is based upon its prestige, its past record, its large capital, and particularly upon its community of interest

with large banking institutions which lend the financial assistance necessary to carry a large operation from the time the bonds are bought and paid for until they are split up into blocks among various syndicate members or else distributed to the final purchasers.

Big business requires big financial machinery, and the wholesale houses are in position to furnish it on account of their experience, prestige and available resources. Though this system has many disadvantages and is more or less monopolistic, that it is the only practicable one is evidenced by the fact that nothing else has ever been developed to take its place. While large operations might occasionally be financed by popular subscription during propitious times, the public purse could not regularly be depended upon for direct support and the assistance of strong agencies is required. A borrower can not ignore the money lender during periods of easy money and then demand help when conditions are stringent. The fat and the lean must go together.

Next to wholesale houses in both capital and influence are the so called distributing houses, which vary in size and importance from those handling only one million or two million dollars a month to those that distribute annually

several hundred million dollars of bonds. They participate in underwriting syndicates organized by the wholesalers, and frequently two or more will purchase from the wholesaler entire blocks of bonds and resyndicate them. They also originate their own issues, consisting usually of municipal, railroad divisional or equipment and public utility bonds. Although frequently up in the millions these issues are generally smaller in amount than the large government or railroad loans financed by the more important of the wholesale firms. Distributing houses do a wholesale and a retail business simultaneously. Practically all of them employ bond salesmen; some of them in connection with their main offices only, in which case they generally work through correspondents in other cities, while others maintain large organizations and operate a number of branch offices. They distribute bonds direct to their customers at list prices and also sell round blocks at special prices to retail dealers. The distinguishing characteristic of the higher class distributing house is that before purchasing an issue of bonds it makes a searching examination of the property and of the credit of the borrower, and in doing so employs legal, engineering and accounting experts. The dis-

tributing house comes in contact in a broad way, with the general public and is supposed to feel a strong moral obligation toward its customers, and to be ever watchful of their interests, whereas the wholesale house is a sort of middleman between the borrower and the distributing or retail houses, and assumes practically no responsibility as to the safety of the securities it underwrites. The distributing house is the real connecting link between the bond issuer and the bond buyer and this book is written with the idea of being particularly applicable to the relation so existing.

The retailers belong to the large and very important class of firms that possess moderate capital and do not essay the role of originating houses. Probably a large proportion of these firms is composed of men who in their earlier days were salesmen for older houses. Retail houses participate in underwritings, purchase round blocks of bonds outright from distributing houses on a dealer's basis, and also buy and sell bonds on the open market. As in the case of the other types of houses, they may or may not be members of a stock exchange, or the stock end may be the principal business and the bond department only a side issue. Each retail house of course has its own circle of customers and its own sphere of influence.

There are a great many stock exchange firms that buy and sell listed securities on a commission basis only. Such houses do not keep bonds on hand for sale but merely execute orders and therefore are not concerned in this discussion.

Street brokers are men who trade between houses and principally in unlisted securities. They claim to work on a straight commission, do not generally carry bonds on hand and are not supposed to have any direct dealings with institutions or private investors. Their function is to know all of the different markets, and where odd blocks of bonds may be bought or sold to the best advantage. Their reason for existence is that they perform a service for which other houses prefer to pay a commission rather than take the time and trouble to do the work themselves.

The different kinds of houses blend into each other, their types change with changes in conditions and a house may belong to one class in one piece of financing and to another class at another time so it is impossible to earmark every bond firm in the business and say that it belongs to this class or to that class. In a general way, however, the remarks made in the preceding paragraphs portray the principal distinguishing characteristics of the various

bond underwriting and bond selling firms as they exist at present, and as they will no doubt continue to exist for many years to come unless there is a radical and unexpected change in fundamental conditions.

Before leaving the subject it may not be amiss to say a word about the firms that attempt to do a stock exchange business and a bond selling business at the same time. Except in rare cases this combination does not work out advantageously and one or both branches of the business suffer. If the members of the firm are primarily interested in the stock end they devote their energies to that while the stock market is active, and neglect the bond end. When the stock market is dead, they switch their attention to their dormant bond department and expect it to spring into sudden activity and to produce the earnings that were previously made by the stock department. The bond business, however, can not be successfully developed that way. It is the product of long study, and careful attention. It cannot be neglected and allowed to go to seed, and then suddenly forced and cultivated, and made to produce a profitable crop. The stock broker is usually a man of impulse and action. He wants results and wants them quickly. He lives fast

and works fast while he works, but has not the patience and the studious disposition that are necessary to develop a successful bond business. The bond dealer to be successful must be an organizer and an untiring worker. He must be satisfied with a more gradual growth and with smaller profits but he must keep hammering away without cessation, making each stroke tell in the permanence of his work. Where a firm desires to do both a stock exchange and a bond distributing business the best results are obtained by having two distinct executive organizations, each composed of specialists in its line. The employees in the bond end must be kept entirely out of the atmosphere of the board room and they must throw their influence against any strong speculative tendencies upon the part of their customers. A clientele of bond buyers, to be profitable, must be permanent while the margin account houses seem to be able to make money with clienteles that change periodically every few years.

CHAPTER IV

SALESMANSHIP

Salesmanship is an art, but Bond Salesmanship is a profession, and it has one great advantage over all of the others in that the route is much shorter to success or oblivion. While law, medicine and engineering are numerically more prominent, their average compensations are lower and they require a greater length of time for an individual to determine whether or not he is adapted to any one of them. They necessitate three or four years of study and preparation, not only without any remuneration, but with a considerable monetary outlay and then it may be some years afterward before a satisfactory revenue is produced. Custom, false tradition and "ethics" are a barrier to individual energy and initiative, while for a doctor or a lawyer to advertise would immediately stamp him as being entirely beyond the pale. In bond selling the probation period is much shorter, returns accrue more quickly and the average compensation is considerably higher because aggressive competition and the law of the survival of the fittest promptly weed

out the inefficient. At the same time, for those who are fitted for bond selling the opportunities are unlimited and the rewards of success place a high premium upon individuality.

Salesmanship is the most practical course in the school of life and bond salesmanship is a postgraduate subject. It is the highest type of salesmanship, it deals in a superior form of commodity and it brings one in contact with the best class of trade. It is for these reasons that one who aspires to bond selling should be above the average in character and ability.

Nothing develops a man so well as contact with other men and with big things. To be familiar with securities, means to be familiar with country wide and with world wide conditions in general, and with municipalities, corporations and markets in particular. Every issue of bonds is different from every other issue. The stock of goods that a house has for sale and their prices are changing almost every day. As a capable bond man not only has to know his own wares but those of his competitors there is ample opportunity for brain work. A bright young man once applied to the writer for a position, saying that he was a very successful salesman of fountain pens, but that he had reached his limit in that line because he

knew all there was to know about a fountain pen. This criticism could hardly be made of the bond business for no one has ever been heard of who knew all about bonds.

To win success, a man must have both ability and opportunity. Except in rare cases one without the other is ineffectual. Opportunity is usually the result of acquaintance. A bond salesman, by the very nature of his profession, meets more people of means and influence than does one in any other line of work. It is no doubt due to this fact that many salesmen of ability do not long remain salesmen for opportunities are constantly thrown open to them and if an existing connection is not satisfactory or sufficiently lucrative, a new association may readily be formed. A really good salesman in this or any other line need never seek a position.

It is not to be assumed from this that all or even a majority of those who undertake the bond business succeed. Unfortunately the glamour and the prevailing air of prosperity attract to this profession many young men who are either unfit for it temperamentally or who are not willing to make the personal sacrifices, to give the close application, or to devote the untiring effort that are essential. Bond selling

knows no union hours and he who watches the clock would better seek some other occupation. From his own observation and experience in training men the writer calculates that on an average not more than one in five makes good, and some of the reasons therefor will be found in subsequent chapters.

Special classes of investors require special classes of bonds and special methods of sale. It is not within the province of this discussion to go into technical details or trade customs. Our concern here is with the personal side of bond selling and with the subject in its entirety rather than its ramifications. These remarks are therefore particularly applicable to the ordinary buyer, the man who is a free agent in his investment operations and is not restricted by laws or limitations in the exercise of his judgment. We are interested in his mental processes, in the methods that must be employed to sell him, and in the type and training of the salesman who can do it.

It is safe to say that no two investors ever think just alike. "Many men, many minds" is as true here as anywhere else. It is seldom that any bond offered is quite what the customer thinks he wants. If it is satisfactory in certain particulars, it is probably unsatisfac-

tory in others. If every security was exactly what a buyer thought he wanted, there would be no need for salesmen. Consequently the art lies in diagnosing a person's real needs and then selling him the issue one has that comes the nearest to meeting them. The salesman who yields absolutely to a customer's idiosyncrasies, regardless of his own judgment, is not a salesman but an ordertaker and there is no profit in ordertaking. The real salesman, by argument and suggestion, directs his customer's mental processes. A buyer frequently thinks he requires a particular kind of security when actually something entirely different is better for him. A desire must exist or be created before a sale results. The real profit in bond selling lies in making a customer want that which the salesman thinks he should have. This is not so difficult as it may appear for certainly ninety-five per cent of the investors buy on confidence with little knowledge of what they are buying, or of investment principles in general. When both the house and the salesmen inspire confidence, everything else is of minor importance.

Very few bonds are sold on analytical explanations or comparisons. The average man wants to place upon some one else the responsi-

bility of making up his mind for him. As one salesman expressed it, he had to do his customers' thinking for them. It is really unfortunate that so few people are willing to make a study of their investing. If they would do so, many a dollar that is now thrown away could be saved, the conscientious efforts of the higher class bond houses would be more highly appreciated and these houses would be relieved of a responsibility which they would much prefer to see placed where it belongs.

It is impossible to make a salesman. He must be born to it, and all the so called schools, character studies, correspondence courses, and different methods of training are futile if the necessary ability is not inherent. Whether it be called personality, knack, personal magnetism, or what not, it resolves itself primarily into two things (1) ability to inspire confidence (2) ability to work incessantly. These qualities may lie dormant or may be concealed. Study and training may bring them to the surface, or may add polish and finish after they are brought out, but unless they are born in a man, his chances of great success are very small. Compared to these two qualities,—technical knowledge and training, studiousness, acquaintance, personal appearance, adap-

tability and all the other virtues are of very minor importance.

In his early days as a sales manager the writer used to think that he was a pretty good judge of character, but after talking to men by the hundreds, employing them by the score, and watching their work year by year, he discovered that those who made the best first impression frequently petered out while those who appeared to be in the doubtful class frequently made the greatest successes. He therefore came to the conclusion that there was only one sure way to read character, and that was by the law of averages. Hence, for some years, in taking on new men for the sales organization, he has been going on the theory that only those should be passed by who unquestionably had negative personalities or were clearly unsuited for the work; that little attention should be paid to stature or physiognomy; that if a man possessed a fair education, looked sound, had a clean record and character, and had to work for a living he should be given a trial and that out of every so many men so chosen a certain percentage would make good. In other words, after eliminating those clearly unsuitable, it resolves itself simply into a trying out process and the survival of the fittest. This

may appear very impersonal and very mechanical, but it nevertheless is a mathematically correct method, is businesslike, is reducible to a scientific basis, and though more evident is not different from the conditions and methods prevalent and in operation in every business and in every walk and in every phase of life.

CHAPTER V

MATERIAL FOR SALESMEN

In building up a sales organization the material available narrows down to three general classes; viz., (1) men with previous bond experience (2) young college men (3) men from other lines of business. The writer proposes in this chapter to attempt the comparison of these classes and an exposition of the advantages and disadvantages of each.

Good salesmen with previous bond experience are always in demand, as is evidenced by the numerous advertisements in the daily newspapers and in the various financial periodicals. This demand is due to the fact that the great majority of bond houses (1) can ordinarily buy more bonds than they know how to sell; (2) have the courage to employ salesmen only when they can get ones who they feel confident will make money for them; (3) do not themselves know how or have the patience to develop inexperienced men, and (4) expand and contract their sales forces with the changes in business conditions, so that instead of carrying trained organizations through dull periods,

they are forced to recruit them suddenly whenever business is prosperous. Competent salesmen all make good livelihoods and are usually paid pretty nearly what they are worth. Consequently they do not as a rule look around for other openings unless dissatisfied with working conditions where they are employed. This latter condition is rare so that it is seldom that a really good bond salesman seeks a new connection. More often the position seeks the man.

It therefore follows that when a so-called experienced man applies unsolicited for a position, it is more than likely that he is a discard or a floater. In the previous chapter it was mentioned that in the trying out process about one man out of five develops into a real success. This means that four out of the five are disappointed and seek new places. Strange to say, to most of them there is a fascination about the business so that they stay in it instead of trying something else of a different character. After a man has changed positions a few times he usually becomes a floater, staying with one house so long as his welcome lasts, and then seeking another. For the reasons previously given, the demand for experienced men is such that if one has a fair knowledge of bond technique and can put up a good front, with a few

confidential remarks about his personal customers, he can usually land a job even though his tenure of office may be brief. The writer knows of one so-called salesman who has been floating from one house to another for the past fifteen years. This man has certainly averaged less than one year to each place, and yet he comes up smiling with a new one whenever the occasion requires. Apparently in the employment of experienced bond men, much is taken on faith, and references do not seem to be essential.

While in hiring ready-trained men who apply for positions, a "live one" may some times be acquired and added to the force of producers, this possibility is rare indeed, and the odds are heavily against the employer. Less risk is assumed in stealing or (to be more polite) in buying a man away from a competitor but this too has certain dangers. In the first place every salesman is presumed to know what he is worth; unless he is more modest than usual, he is presumed to be getting it; and his employer is presumed to be paying it to him. If he is entering the discard class, and a competing house makes him an offer, that house stands a pretty good chance of having a failure wished upon it. On the other hand, if he is a

success, regardless of degree, and a competitor steals him, it runs the great risk of having paid too high a premium to get him away, and when a man costs too much, he is just as much a financial loss as the man who costs proportionately less and is a failure. The house that employs a man is in a great deal better position to know what he is worth, and to pay it to him, than a competing house that must base its opinion entirely on outside indications.

Of course there is always the possibility that a salesman is not in congenial surroundings or is not developing his greatest efficiency under given conditions, and that if transplanted, he will reach a much higher development. This, however, is largely a matter of guess work and it is extremely dangerous to offer a man a higher salary than he is getting on the assumption that under new conditions he will be able to produce more than enough to offset the increase in compensation. It is more likely that he will lose efficiency and producing power by being transplanted, for a salesman seldom has the same loyal regard and enthusiasm for his second employer that he had for the one that taught him the business and helped him over the rough places in the beginning. This does not hold good when a man advances from a

conspicuously inferior house to one of much higher credit and standing, but even in this case it is inevitable that he should unconsciously or instinctively compare methods and conditions existing in the new association with those in the previous one. Enthusiasm is the greatest factor in commanding confidence, and in inspiring one to hard effort. It is ruined by the continual drawing of comparisons, by mental reservations and by distracted attention. Unless one's whole mind, thought and action are focused in one direction there can be no real enthusiasm. An organization to be successful must have the wholesouled support and undivided cooperation of its component units and its directing head must be engaged in constructive work and not diverted to eradicating antagonistic or contrary ideas, principles and methods previously gained by experienced men in prior positions.

The writer realizes that if a properly trained, well balanced and successful salesman of experience and judgment can be secured at his actual value as a producer, he is cheap at the price, and worth to any house a great deal more than a number of inferior or inexperienced men all taken together. There has never been the slightest room for argument or doubt on this

point. However, the chances of securing enough men of this type are so slim, the risk of losing a lot of money in trying to get them so great, and the certainty of loading up with inferior men so sure that the writer has never been favorable to this method of recruiting an organization. Last, but not least, there is the question of ethics in the matter of taking men from competitors. Some houses are very punctilious and make a practice of applying the Golden Rule to this particular feature of their business.

As a class young college men in business are a particularly difficult problem, due first to lack of home training and second to a type of education that aims at the broader phases of life but neglects the essentials. Parents are too lenient in bringing up their children. Discipline, prompt obedience, accuracy, thoroughness and the homely virtues are the foundation of character. If these are neglected in the earlier years, inefficiency is bound to be the result and college education and technical training are unable to counteract it. Success or failure can largely be traced back to the kind of training a man had before reaching the age of twenty-one. This situation is aggravated by the fact that only a small proportion of

young men attend college with a serious purpose in mind. For the first time in their lives they are entirely free from restraint, the opportunity to waste time is ever present and the stern realities of life are obscured by the distortion of relative values. Fraternity and dormitory life, athletics and social activities assume undue importance. The curriculum is directed almost entirely toward mental expansion, and but little, if any, toward character building. At the risk of being accused of heresy, the writer ventures the opinion that to the majority of men who attend college the benefits are negative; in other words, a college education spoils many a good clerk. A man of character, initiative and indomitable energy will rise to the top regardless of his degree of scholastic education. When such a man goes to college and gets out of it all it holds in store for him, the benefit of such an education is inestimable. It opens up to him greater possibilities than he could otherwise attain even though possessed of great natural ability. On the other hand, if he slides through college with no particular ambition and no set purpose in mind, the influences of his environment and the lassitude of his mental habits are not calculated to strengthen his character. Unquestion-

ably the greatest function of a college course is to give one breadth of thought. Therefore if one is not made to think, his mental processes do not undergo the expansion that is intended for them. Far better that a youth should get four years' practical application behind a counter than allow his brain to gather moss for such a period.

A man must be able to do the little things of life and do them right before he is capable of doing the big things, and a minor task correctly performed is indicative of ability to do a larger work properly. Some years ago a writer employed as sales material a University man of considerable prominence in the various collegiate activities. One day, during his probation period in the office, a window shade fell down and this man was asked to fix it. He had to admit that he did not know how! What are we to expect of our University graduates when they are incapable of performing such trivial tasks?

The greatest criticism then of the average college man is that he hasn't been trained either by his parents or his Alma Mater to do the little things right before feeling that he is capable of assuming greater responsibilities. In this respect he is not much farther along than the

grammar or high school boy who has not had all the advantages and of whom so much is not expected in the beginning. Undoubtedly this deficiency or lack of discipline will be partly overcome if the system of universal military training is adopted in this country and incorporated in our college curricula.

The second great criticism of the young college graduate is his exaggerated idea of his social and economic position, and of the revenue producing value of his education and ability. While in college he gathers the idea that he belongs to a higher plane than the ordinary mortals around him, that he is destined by the nature of things to be a leader and that of his own right he must be looked up to. Therefore when he accepts his first position and finds himself located at the mailing desk at five or ten dollars per week the business machine seems to have slipped a cog somewhere. When the days run into weeks and the weeks into months and promotion and pecuniary emoluments come slowly, the discouraged college man reaches the conclusion that he has picked the wrong job and that the other business just across the street is the one he should have chosen, so he gives up his position and starts in over again and the process is repeated. Very

often this discontent is due to the fact that the college man has developed his tastes too far beyond his earning power and he is constantly obsessed by the desire for more money. Frequently, too, he discovers that he wants to get married and support a wife even before he can support himself.

After a college man has yielded to this siren call and wandered through two or three positions in search of greater opportunities he suddenly awakens to the realization that he too must not only begin at the bottom, but must stick to one thing and climb slowly and surely the same as anyone else. By experiencing a few hard knocks he discovers that there is no short cut to success and that hard work is the quickest route to recognition and advancement. Only when he buckles down to serious effort and realizes that after all it depends upon him and him alone, does he begin to appreciate the opportunities in his own line of work and see the folly of jumping from one position to another.

When a college man of character and ability reaches this stage, when he "gets down to earth" he is ripe to be taken in hand and developed to the highest degree. It therefore follows that in employing college men, all other things

being equal, the best results are obtained by taking those who have been graduated for three or four years or more and have just arrived at the point described.

This detailed portrayal of the faults and weaknesses of the college man cannot obscure his one commanding advantage over the other two types described in this chapter, namely, his enthusiasm. It is obvious that a young man just entering business life may be enthused much more easily and may communicate that enthusiasm to others more readily than an older man of more varied experience who has tasted of some of the disappointments of life, and has become more or less skeptical of its opportunities. The greatest productive asset of a young man is his initial enthusiasm. It is worth more in dollars and cents than experience, acquaintance, influence or anything else. Therefore when a college man has made the most of his educational advantages, has reached the hard work stage and still possesses his youthful enthusiasm, he presents a combination of business advantages that offset his lack of judgment and experience and make him particularly available for training as a bond salesman.

Our third group of available material in-

cludes men of more mature years—say thirty and over—inexperienced in the bond business; men who, with few exceptions, are self made, who have had limited educational advantages, and who had to start to work early in life. This type of man presents our greatest problem in the selection of individuals. With the experienced men it is merely a question of past record and present performance with the risk of loss limited and the employment terminable on short notice. In the case of the college man the cash outlay is small and the possibilities good for securing a fair percentage of successes. With our third class of men results depend upon a fortunate selection of individual units, involving a certain amount of character reading, a larger amount of luck, and at last analysis the working out of the law of averages. As a rule those who have not made satisfactory connections before they are thirty are below the average in ability. There are, of course, many cases in which this does not hold good, but the proportion is strongly as stated. This condition is even more pronounced when the age of forty is reached. It therefore follows, with rare exceptions, that any man of forty or more who is willing to enter a new line of work at the price of raw material, has not sufficient ability to qualify him for the bond business.

Men of middle age have lost their enthusiasm as a rule, and are hard to "warm up," they are difficult to direct, frequently tell us how the business ought to be run, find fault with existing methods after they have been doing outside work for only a brief space of time and are easily discouraged. Also to an employer who is at all sympathetic the matter of dismissal is always more embarrassing in the case of such employees and is usually delayed much longer than it should be even though sentiment is supposed to play no part in business.

In going over the roll of men whom he has trained, the writer is frank to admit that the greatest individual successes have been developed from this third type of material, namely men of more mature years with previous experience in other lines of business. As a corollary, he has also lost the most money in trying out men of this type. However, the progress of a business is determined by the results obtained not by the exceptions but by the organization as a whole, and it has always been his experience that the best average is maintained by men recruited from the second group.

While always on the lookout for a "find" and while one can sometimes be secured through a special combination of circum-

stances, the sales manager who spends his time hunting for such articles instead of developing his own men is not going to expand his organization very rapidly. Each applicant for a position must be considered very carefully and those selected must be coached properly, but the final result will be determined by the law of averages. With such variations as have been mentioned experience seems to prove that the percentage of successes is about as great with one group of men as with another, and if carefully chosen it may be assumed that one man out of five will make good. Let us therefore figure how this works out in dollars and cents. If five older men be taken on at $150 per month each, or a total of $750 per month, and one succeeds, it costs $750 a month to produce him. If five college men be taken on at $10 per week each or a total of $216.66 per month and one succeeds it costs $216.66 a month to produce him. Against five older men at $750 per month, seventeen college men can be employed at the same expense and they will produce more than three times as many successes.

This same method of comparison may be employed in the case of men with different relative salaries, but each must be classed with

others drawing the same amount of money. In other words, a man getting $100 per month must be compared with others receiving the same for it must be figured that if a man is paid $100 per month, and develops into a success it has cost $500 a month to produce him, and a success at $200 a month has cost $1,000 a month to produce. The successful man has to bear his share of the cost of the unsuccessful ones the same as the consumer who pays his grocery bills has to pay for the food of the consumer who does not and the same as the tax payer has to carry the burden of the economically dependent.

This is a feature of the employing of men of which the sales manager seldom thinks, or if he does consider it, rarely reduces it to a mathematical basis. If he belongs to the school that tries to hire successful men already trained and proposes for instance to pay an applicant $300 per month, does he realize that either the salesman is not worth $300, or else he has cost some other house a good deal more than the amount named and must be a bargain at the price? A sales manager who is a good judge of bargains may be able to gather together a satisfactory organization if enough bargains are offered, but the man who makes a profession of bargain hunting usually pays high in the long run.

Assuming then that we accept the training of green men as the most successful method of developing a sales organization, the logical thing is to keep down the cost of the raw material regardless of the source from which recruited. Obviously it is not good business to spend any more money than necessary on experiments. Therefore the recruit should assume his part of the risk until he can demonstrate whether or not he is going to be a success but after he has made good his employer should compensate him for his sacrifice in the beginning. Until a salesman makes good, he is a liability and not an asset, and of course business prudence demands that one should limit his liabilities as much as possible, but when a man moves over from the liability column to the asset column his position as an asset should not be undervalued, else he is warranted in eliminating himself from the balance sheet altogether.

At last analysis a house is not only justified, but is only exercising ordinary business sense in buying its raw material at as low figures as possible. In doing so it does not attempt to pay a man what he is worth for it has no way of determining what is a given man's worth, but is merely advancing a nominal stipend

until the man himself can demonstrate his value and claim the rewards to which he is then entitled. A willingness to make a temporary monetary sacrifice is evidence of a man's judgment, seriousness of purpose, determination and self confidence. If he is not willing to do this, the chances are he is not the most desirable material available.

CHAPTER VI

EMPLOYING MEN

Aside from the initial formation of its sales organization, every progressive house finds it necessary to constantly add new men to take the places of the occasional ones who leave after reaching productive positions, and of the many who are tried and found wanting. While now and then recruits may be obtained from those who call of their own accord or who apply through the personal recommendation of mutual friends or acquaintances, or through other employees, the number of suitable applicants who can be so secured is comparatively small and the building up and maintaining of a large force in this manner is a slow, tedious and difficult process. A large organization therefore usually finds it necessary to make use of collective employment. For this purpose two methods are ordinarily available in securing raw material (1), advertising in the daily papers (2) getting in touch with the graduating classes of the different colleges.

Notices in the financial pages of the newspapers have not been found so productive as

advertisements in the columns headed "Help Wanted—Male," for the simple reason that the number of experienced men open for engagement is far exceeded by the number of green men seeking positions and the latter read the classified advertising rather than the financial pages. After several years of experimenting, through which he learned much about the psychology of "want ads," the writer worked out the following standard form of copy, which is quoted to illustrate some of the points in mind.

"PROMINENT BANKING HOUSE will make positions for three or four young men to become bond salesmen. Must be graduates of regular day courses of recognized colleges or universities. Real opportunity for men of initiative and ability who are willing to learn the business and make it their lifework. State age, when and where graduated, business experience, immediate salary required and any other items of interest."

"College graduates" is specified, not because a college education is necessary to a man to win success in the bond business, but simply as a labor saving device to eliminate the innumerable applications that would otherwise be received from the host of young men of unsuitable heredity, environment or education who are always on the lookout to change from one wage earning job to another in the hope of

adding a few dollars more to the weekly pay envelope. While it is true that this qualification discourages some very good material from applying, it is a necessary limitation in order to save the advertiser from being swamped by a flood of letters. As it is, many of the more progressive or more ambitious disregard the specification and apply anyway, and the best of these the advertiser may follow up if he so desires.

The expression "graduates of regular day courses" is used. Practically all of the universities in the larger cities maintain evening courses, and the men who attend these usually consider that they are college men. Experience shows that only a small proportion of them are available for bond salesmen and so this specification also is a labor saving device.

"Immediate salary required" reveals of itself a whole lesson in human nature. Several times the writer used the expression "Initial compensation $10 per week" only to discover that the replies were confined mostly to youngsters entirely unsuitable for the purpose in mind. The words "immediate salary required," however, usually bring in a host of applications from men who want anywhere from $5 a week to $5,000 a year. Many purposely set high figures

for their own protection until they can learn the nature of the position and of these not a few are willing to start at very nominal figures after the details and opportunities are explained to them. Thus a much wider variety of material is offered the advertiser from which to make his selection.

In getting in touch with the graduating classes of the different colleges, whether it be done by letter, by personal visit, through the faculty or through college employment bureaus, the methods are elementary and need not be enlarged upon here.

Interviewing candidates is the most irksome task that falls to the lot of a sales manager. In the first place he knows that the chances are ten to one that the applicant will not prove available, and yet no matter how busy he is, he can not afford not to talk to the man who wants a job for there is always the chance of getting "a find". When he has to talk to them wholesale (and the writer has interviewed as many as a hundred in one week) the work is exhausting to say the least. Again the average applicant is nervous and not at his best. The sales manager must put him at his ease, preferably by finding out the particular thing that interests him the most and encouraging him to

enlarge upon it and forget himself if possible. Many men who make the best "front" when applying for a position fall down completely later on, while some who appear backward in the beginning, develop into the best salesman. While an ability to make a good first impression is always an asset, it is much more important to wear well, and a nice appearance and a glib tongue do not encourage the same confidence as time goes on that is inspired by ability, thoroughness and sincerity even though the latter are housed in a less imposing exterior.

The green man has a very vague idea of the placing of securities, and the details of salesmanship. Much time is therefore taken up in giving him an intelligible explanation of the nature of the position for which he is applying and of the opportunities which it offers. Likewise to size up the qualifications of the applicant, requires much patient and skillful questioning upon the part of the sales manager. When this is multiplied by the number that must be interviewed in any given period, the waste of time and of nervous energy is entirely out of proportion to the amount of material found available. Sometimes out of as many as twenty-five applicants the sales manager will select only one as justifying in his judgment the time and expense required in training.

To reduce the interviewing of candidates to a system, as much as possible and to save his own time and strength, the writer worked out a form of application blank, which is here reproduced to facilitate the explanation of some of the important points involved.

The fourth page of the blank gives a general statement of bond salesmanship, summarizing briefly some of the information given in previous chapters of this book. This explanation is the foundation for that which may be told the applicant subsequently during his interview. It also helps to eliminate curiosity seekers and floaters looking for a soft berth, and saves the sales manager some unnecessary sessions with them.

The words "Salary required" appear on the first page. This is to classify the applicant according to his own idea of his value, and also to indicate the maximum that will have to be paid him. Next his family history, connections and standing are important as bearing upon the desirability of his associations. Then his educational qualifications are given. If he is a college man, his record must be given on page two and if he has not accomplished something in at least one field of undergraduate activity, it does not speak well for his ambition or ability.

Nothing promises success for a man in the future so much as having worked his way through college. If in addition to this, he has accomplished something in the way of scholarship, athletics, literary work, dramatics or the hundred and one things a man in college can do, his record is all the better. Health is not the least valuable asset of a salesman. If a man does not possess vitality and endurance he cannot give out any personal magnetism or maintain the degree of enthusiasm that is necessary to a successful prosecution of his work. Likewise his powers are impaired by inveterate drinking or smoking, and modern business efficiency will not countenance the salesman whose approach is heralded by the odor of stale tobacco or alcohol.

If an applicant has had previous business experience a complete record of all previous positions is essential. This record must be examined into very carefully, and checked accurately backwards and forwards by personal questioning to make sure that the candidate has not purposely omitted some chapter in his business life that he does not want looked into. The number of positions a man has held, and the duration of each afford the best possible line on his ability, seriousness of purpose,

Application for Position as Bond Salesman With

Frederick Peirce & Co.

BONDS FOR INVESTMENT
1411 CHESTNUT STREET
PHILADELPHIA

Full name

Present address

Permanent address

Salary required

$ ____ per week; $ ____ per month

Present Telephone No.

Date of birth ____; Present age ____; Place of birth ____

Married ____; Number of children ____; Are parents living ____; Where ____

Give details of present or previous occupation of father ____

Occupations of father or males if living and deceased (1) ____ (2) ____

(3) ____ (4) ____ (5) ____ (6) ____

Occupations of brothers or males if living and employed (1) ____ (2) ____

(3) ____ (4) ____ (5) ____ (6) ____

Are you employed at present ____; Where ____; Nature of work ____

Present salary, or previous if not now employed $ ____ per ____; If employed, reason wanted for desiring exchange

Last school or college attended ____; Graduate ____; Class of ____

If you did not graduate, state reason you left and why ____

What was your scholastic standing ____

For explanation of Bond Salesmanship see page 6.

Give details of any "backs" ____

Give details of outside collegiate activities ____

Did you make any efforts towards self support during any scholastic year; what were they and what revenue did they produce ____

What summer work did you do prior to going to college ____

What summer work between Freshman and Sophomore years ____; Amount earned $ ____

What summer work between Sophomore and Junior years ____; Amount earned $ ____

What summer work between Junior and Senior years ____; Amount earned $ ____

State height and weight ____

Give height gained. Have you ever been injured or have you any chronic trouble ____

What are your habits with regard to drinking and smoking ____

Give complete account of all positions held since leaving school or college

Name or Location	Date Employed	Date Left	Salary	Reason you Left
1			$ per	
2			$ per	
3			$ per	
4			$ per	
5			$ per	
6			$ per	
7			$ per	

Credit to secure position ____

Religious affiliations; or if none, give those of parents ____

Give details of any other connections, affiliations or occupations ____

If you have had any selling experience give details and record ____

Give details of relationship or acquaintance with any one in the Bond Business ____

Is anyone dependent upon you for support ____; Have you an independent source of income ____

Do you object to traveling or being away a week or two at a time ____

What is your hobby ____

What is your ambition ____

Give names and addresses of twelve people who may be written to for reference as to your character, ability, habits.

Name	Address	Business	Where K
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

REMARKS

Give any other information that you think might be of interest.
If you have filled in this blank by typewriter, give here your signature and a sample of your handwriting ____

This data will be kept strictly confidential. No inquiry will be made of your present employer or reference written to without your permission. While not essential, a copy of your photograph will assist us in identifying you with this application. Do not call or telephone until you hear from us further. The information is requested in order to form a preliminary judgment and is not necessarily final.

...edit of any "Books" _____

...tails of outside activities _____

...make any efforts towards self support during any scholastic year, what were they and what success did

...ation _____

...manner work did you do prior to going to college _____

...mmer work between Freshman and Sophomore years _____ ; Amount earned $ _____

...mmer work between Sophomore and Junior years _____ ; Amount earned $ _____

...mmer work between Junior and Senior years _____ ; Amount earned $ _____

...ight and weight _____

...ealth record: Have you ever been injured or have you any chronic trouble _____

...e your habits with regard to drinking and smoking _____

Give complete account of all positions held since leaving school or college

Name of Concern	Date Entered	Date Left	Salary	Reason for Leaving
			$ ___ per	
			$ ___ per	
			$ ___ per	
			$ ___ per	
			$ ___ per	
			$ ___ per	
			$ ___ per	

...present position _____

...vilitary, if Navy, give time of service _____

...ame of any other connections, affiliations or occupations _____

If you have had any selling experience give details and record _____

Give details of relationship or acquaintance with any one in the Bond Business _____

Is anyone dependent upon you for support _____ ; Have you an independent source of income _____

Do you object to traveling or being away a week or two at a time _____

What is your hobby _____

What is your ambition _____

Give names and addresses of twelve people who may be written to for references as to your character, ability and habits.

Name	Address	Business	Write Attention
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

REMARKS

Give any other information that you think might be of interest.
If you have filled in this blank by typewriter, give here your signature and a sample of your handwriting.

_____

_____

_____

and steadfastness. A varied business career condensed into a brief space of time is not a strong argument in favor of one's fitness to undertake a line of work that requires application and determination. On the third page the question of an independent source of income is important for if a man does not have to work for a living he usually lacks the incentive that is necessary to accomplish a difficult sale. The questions "What is your hobby" and "What is your ambition" usually develop some interesting sidelights of a man's character, and frequently divulge the real purpose of the applicant in seeking a position. The writer remembers the case of a young man whose ambition was "To own a chicken farm", which statement developed the fact that he desired to hold a position only long enough to earn some money to enable him to go into the business of raising poultry. As we were not spending our time training men for the fun of it, this young fellow of course did not get the job.

Each question on the blank is the result of experience gained in talking to many men, and has an underlying purpose, even though the latter may not be apparent and the questions may appear irrelevant. Every once in a while some sophisticated applicant makes the remark

"You don't expect me to answer all of these questions do you?" or "If I were the kind of a man who was willing to give you all of that information, I wouldn't be the kind of a man you would want". The answer is that if a man is too proud to give the information that is required of him to secure a position with opportunity, then he is too proud to do the kind of work that would enable him to reap the advantages accruing from that opportunity.

References are at once a necessity and a delusion. The persons whose names are supplied by a candidate, are usually ones who the candidate feels confident will give him a clean bill of health. Few men will give an unfavorable report of another in writing. Therefore whenever possible it is advisable to check up the references by personal visit. It is also very advisable to make inquiry of persons other than those whose names are supplied by the candidate. This is a simple matter if the applicant comes from a country town. It is not much more difficult if one gets in touch with all of the applicant's previous employers, and learns from them of his record and history. A single unfavorable or qualified statement is a danger signal and should be run down until the entire truth, either favorable or unfavorable, is learned.

Too many references cannot be written to. The writer recalls the case of a man who made a remarkable first impression, and yet there was something puzzling about him. Consequently twenty-five people were communicated with. Twenty-four of these wrote excellent letters. The twenty-fifth said "Send a man down to see me and I'll answer your questions". From the information that resulted, it appeared that the house narrowly escaped employing a man who would have been far from a credit to it. In another case, a candidate had been in the navy and gave as references an imposing array of Rear Admirals, Captains and Commanders. Many of the letters came back with the notation that the person written to was dead. When these were shown to the candidate he sadly and ingenuously remarked that they must have died since he left the navy. After this employee was dismissed for misconduct, the conclusion was reached that he knew they were dead in the beginning or he would not have given their names.

No reference is as good as the "sizing up" of a man by an experienced employer. Some applicants have honesty written all over them. In such cases the checking up is merely a matter of form. References are therefore a neces-

sity if one is in doubt, a delusion if not properly interpreted, or merely a formality when a man's character is stamped on his face.

CHAPTER VII

TRAINING MEN

As good food may be ruined in the cooking, so good sales material may be spoiled in the training, or if not absolutely spoiled, it may be wasted by not being developed in the manner and to the extent to which it is capable. The opposite extreme is that it may be overtrained and discouraged. Some years ago the writer used to follow the policy of keeping a man in the office for anywhere from one to three years doing routine work and learning all the details of the business from the bottom up. This practice was abandoned some time ago because it developed numerous disadvantages and was not found to be any more effective than other methods less tedious and calculated to produce quicker results.

Inside work as a temporary expedient must obviously consist of a clerical and statistical nature. By temperament a man who is good on details and systematic, is frequently lacking in sales ability and conversely, one who is bubbling over with energy and enthusiasm finds office work tedious and a drudgery. A tem-

porary clerk of the latter disposition can keep his superiors quite busy remedying his mistakes, and in an active organization where accuracy is a necessity and each day's work must be disposed of before the next day's begins, it is much less of a nerve strain to maintain an adequate and competent clerical force than it is to use the office as a training school for embryo salesmen.

The young fellow who starts in an office after graduating from college usually expects to make his education return abnormal dividends in a brief space of time. The kind of work he is capable of doing does not command a very remunerative compensation and when his salary increases come only once a year or so, and are modest in size, he is quite apt to become restive and long for bigger things. During his scholastic period he has probably acquired some more or less expensive habits without a restraining conception of the value of money. When thrown upon his own resources he finds his wants are greater than the wherewithal to supply them. Possibly too he has by this time found a soul mate and is ambitious to have his own home. This latter contingency is a more frequent handicap than is generally realized, for the impetuous youth

often has not the patience to establish even a limited earning power before assuming domestic responsibilities.

Influenced by one or more of these problems, more transitory than vital, and impatient to earn more money, the apprentice is apt to feel that his services are undervalued, that the opportunities were overstated and that he can better himself by making a change. This may be hastened by some competing house painting a glowing picture and holding out inducements, so that the original employer finds that he has spent his time and energy in vain.

An even greater loss is experienced when a house spends two or three years on preparatory training and then finds out that the object of their thought and work, after being started on his outside activities, is entirely unsuited for salesmanship and incapable of producing the returns that are expected of him; or else if he shows signs of sales instinct, has not the patience to develop them but thinks he sees greater opportunities in another territory or with another house and resigns his position just as he is beginning to secure results that will reimburse the employer for the expense involved in his training.

In developing groups of salesmen, the writer

has secured just as good if not better results by giving them a very superficial training consuming only from three to six weeks. This is done by prescribed reading, lectures, discussions, the study of files of sales letters, and the analysis of bond circulars. With this smattering of knowledge, the men are started out to work, and they soon learn that experience is the great teacher. No matter how carefully a man is coached in the office, he quickly discovers that the problems he first runs up against are the very ones that were not covered in his preparatory course. Unquestionably a month on the road gives a man more experience than six months in an office. Of course the prestige of the house must not be allowed to be damaged by inexperienced men, so it is advisable to break in new salesmen in the straight canvassing of lists of names, instead of starting them right out to interview bond buying banks, and old customers.

This method of training has two distinct advantages. If a particularly attractive but high priced candidate comes along he can be given a try out at a higher salary than would ordinarily be paid in the knowledge that developments will show very quickly whether or not he possesses the elements of ultimate success.

In the second place, a moderate priced man can be given more time to make good if his entire effort is devoted to productive work. For some years the writer has adhered pretty closely to an automatic stop-loss in the case of new salesmen by dispensing with the services of a medium priced man when his salary and expenses exceeded his sales profits by $500 and with those of a high priced man when his deficit reached $1,000. This rule however is interpreted more liberally in the case of a road man than in that of a city man on account of the expenses of the former accruing the more rapidly. Also it is waived where it is evident that a salesman has real ability and will unquestionably succeed if given time to overcome particularly difficult conditions. By way of illustration, one man in a virgin territory ran behind nearly six hundred dollars the first year but justified the confidence in him by returning profits of $15,000 the second and $30,000 the third year.

After a man makes good on missionary work it is fair to him and profitable to his employer to give him a developed territory as soon as one is vacant. Another recruit can then be started on the missionary work where the previous one left off. Up to a certain point the

matter of the relative value of different territories is not to be considered, for an incompetent salesman will be a failure in a rich and developed territory while his more competent confrere will be a success in a sparsely settled and undeveloped field. In the first instance, therefore, it is not a question of the territory but of the man, and the salesman who blames his territory for his poor results would better devote a little time to introspection; but as a salesman in a minor territory develops in ability and earning power, he can be transferred profitably to a major territory where the opportunities for profits are larger both for the house and for the man. This is the most logical and practical way to reward a salesman for good service and to promote him in recognition of results obtained.

It is much easier to point out why one man does not succeed as a salesman than it is to tell why another does. In a previous chapter some of the attributes of success were given. Here it is pertinent to name some of the causes of failure. They are mainly (1) conceit, (2) intemperance, (3) laziness, (4) inefficiency, (5) insincerity, (6) poor judgment, (7) excessive outside diversions, (8) domestic handicaps. One of the two faults first named can usually

be blamed when a promising career is blighted after it has begun to bear fruit. To the others can be traced the reasons why other careers never pass even the experimental stage.

More bond men have been spoiled by conceit than by anything else. Salesmanship is a business of comparatively quick results. When a young man attains prominence in the profession and a compensation large for his age and experience, without the years of training and devotion to detail that are required in other lines of business, he is apt to exaggerate his own ability and importance and to forget that a large part of his success is due to the reputation of his house, the quality of the goods it gives him to sell, the manner in which it backs up his efforts and finally to such fortuitous circumstances as may work in his favor through the nature of prevailing conditions. The result is that he places an abnormal valuation upon his services, and sacrifices his opportunities, just as they are about to yield him large returns, by becoming dissatisfied with his position, and making a new affiliation, or else in his over-confidence he rests on his laurels. In either event he loses his momentum, and slips back so far that he fails to recover it. To use a trite expression, it is difficult for a young man

to keep his head level when he enjoys too sudden prosperity. The ruinous effects of intemperance are now too generally recognized to require more than the mere statement that the bond business is not immune from them, and within the writer's knowledge more than one bright future has been obliterated by this evil, notwithstanding extreme precautions to avoid the employment of men so addicted.

Of all the numerous causes for either complete or partial failure in the initial stages, none is more prevalent than laziness or lack of application. The difficulty nowadays is to find men who will really work. Short cuts to the royal road to wealth are in great demand. Hard work is at a discount. Of the business virtues, the greatest is ability to work. A brilliant mind is too often housed in a lazy body; much better that a man possess an average mind and realize that application has to make up for him what he lacks in quick wit. Often the plugger gets the greatest results, for he does not sputter and miss fire but keeps at it with dogged determination. Brilliancy, personal charm, analytical ability and fluency of speech are all of secondary importance for there is no question but that in the selling game what a man accomplishes is in direct proportion to the effort he expends.

A salesman who interviews twenty investors a day will make twice as many sales as though he sees only ten in the same time. Systematic and sustained effort takes will power, and it is so much easier to do something more pleasurable that unless a salesman keeps a firm grip on himself he unconsciously "loafs on the job", and when this insidious habit is formed, it is very hard to throw off. Hard work then is the keynote of all the attributes of success.

Inefficiency—absence of ability to do a thing right, incompetency in little things, and shiftlessness in thought and action—is the greatest point of waste in the industrial machine. Of all the text books that have ever been written for this or any other business, not one can touch the "Message to Garcia" by Elbert Hubbard, and no one's education is complete if he has not read this. There are only two ways to do a thing—one the right way, the other the wrong way. How many the men who try to find a compromise between them! Half of an executive's nervous energy is consumed in counteracting and preventing the waste and errors of ordinary incompetency on the part of employees and subordinates. The man who can do a thing right without being told always makes a quick trip to the top of the ladder.

Insincerity is the foe to one's ability to inspire confidence, the greatest asset of a salesman. Poor judgment causes a man to do things that he would not otherwise do, or to omit doing things that he should do and it is the root of the majority of his mistakes. Too many outside diversions encroach upon one's time but more particularly upon his thought, for the brain of the successful salesman cannot stop working when the clock strikes five. And last but not least, a man's progress in business is influenced greatly by the kind of support and inspiration he receives from his family.

The real training of men is only begun in the trying out process. That is merely the first step, for the ultimate success of an organization depends upon how it is handled after it reaches the producing stage, which is the subject of the next chapter.

CHAPTER VIII

PERSONAL SALES MANAGEMENT

The productivity of any sales organization is mercurial in that it increases and decreases according to the ability and force of its head. It is susceptible to active stimulation and as quickly lapses into inertia when the pressure behind it is removed. Salesmen are temperamental and quickly absorb the optimism or the lassitude of their manager. Consequently close attention to the men and direct contact with them is essential at all times. A sales manager, to get large results, must inspire confidence in his subordinates, must be one of them and yet maintain an attitude of dignity, must be friendly and yet not familiar, must have force, originality, personality, driving power, unbounded optimism and a buoyant wholehearted disposition. He must direct, correct and discipline, but avoid being hypercritical, faultfinding or moody. He must be plainspoken and sincere, avoiding subterfuge and evasion. He must be able to warm up to his subject, and enthuse his men so that they in turn will communicate their enthusiasm to

their customers. This capacity to develop ardent teamwork, to arouse the men to a high pitch as often as occasion requires, and to keep them pulling steadily in the intervals, is the test of managerial ability and the determining factor in the distributing power of the bond house. In a large organization with multiple offices it is well nigh impossible for the various heads to know all of the salesmen, and this fact frequently causes a feeling to exist upon the part of the employees that they are ignored by the members of the firm, whereas the latter are often embarrassed at not knowing whom they should know and at their helplessness to correct the situation. As the connecting link, the sales manager should know each man individually, should be familiar with the conditions in his territory, should be able to recall his more important transactions and should always be on the alert to drop a happy remark whenever the opportunity presents. He must be able to make each man feel at home with him when alone or, when gathered together in meeting, should be able to address the men forcibly and magnetically, and last but not least he must have a thorough technical knowledge of the bond business, and enough originality to know how to apply it effectively. The reader may

remark that very few sales managers come up to these specifications. True, but there are very few live sales organizations, and where the one does not exist, the other cannot be found.

The sales manager must know the difficulties his men encounter, how they handle their customers, their personal troubles, their financial difficulties, their hopes and their aspirations. He must watch their progress without let-up, must know how they are working and how much. Each lead must be followed, every proposed or possible transaction considered and note taken of every call in the field. For this purpose, a report (preferably written on a filing card) of each interview is the most adequate means available. At one time the writer personally went over from four to five hundred of these reports a day, which in itself was no trivial task, until the pressure became so great that it had to be distributed among divisional sales managers.

Each day as intricate trades come up they must be discussed over the long distance telephone so the sales manager has to be at the beck and call of his men, for if the man in the field cannot consult the one in authority when necessity demands, the trade may fall through

and the interest of the salesman jeopardized. Whenever an important piece of financing requires immediate attention, the field men must be reached and their modus operandi outlined to them, and those who are quickest to grasp the significance of the operation and to put their plans into effect, secure the cream of the business. A man's earning power as a salesman is determined in no small measure by his ability to seize a sudden opportunity and to make the most of it, for while the steady day to day selling provides his bread and butter, it is usually the whirlwind work on new bond issues that buys his automobiles. As a matter of psychology also, if the customers can be stampeded they can be sold more quickly and with less effort than in any other way. The salesman who leaves his prospect with a promise from the latter that "he will think it over" need never worry about whether he should buy a Packard or a Pierce-Arrow. The real salesman is the one who can close his order at the time.

Team work and esprit de corps are augmented by daily sales letters from the house. These should contain financial news items pertaining to the issues being offered, comparisons with other securities and all possible data pertinent

to the business, for salesmen as a rule are not students and their information must be prepared for them and set before them in an appetizing manner. Furthermore, the supply of financial ammunition should be inexhaustible for they will absorb only a certain percentage of it, and the greater the amount furnished them, the greater the amount they will absorb. Also, what will interest one and be of assistance to him will be passed over unappreciated by another. A sales letter is like a newspaper in that different readers utilize or are benefited by different parts of it.

Many sales letters are merely collections of soporific financial verbiage. They abound in dry statistics and in general street gossip clipped from the Wall Street dailies. Such letters are about as enthusing as a coal stove without a fire in it. When a salesman in some upstate town several hundred miles from home, has been up early and late in all kinds of weather and worked hard all week without signing up an order, has slept on a hard bed and eaten unpalatable food, feels generally down in the mouth and has about come to the conclusion that the other business he might have gone into would have been much more productive, at such a time he does not want notes from the

home office telling him his faults, or sales letters that read like lessons in college algebra, but he wants encouragement and inspiration. The sales letter to be of any real use, must be personal and sympathetic, it must convey a spirit of confidence and of good cheer and must have an all pervading atmosphere of "now fellows, let's get together". It should illustrate in an interesting manner how the other man just closed a nice sale from what seemed a hopeless prospect, it should make the salesman in the backwoods town realize that he is right in touch with his office and that they are metaphorically slapping him on the back and telling him to "go to it", and it should start him out on his day's work with renewed confidence in himself and the firm determination to wire in a nice order before the day is over.

Perfunctory sales meetings have their limitations. They are of the most value when a new issue is to be offered and it is desired to post the men collectively on it. They accomplish a certain amount of good in coaching the men but as a method of instruction are probably not as efficient as a well written sales letter, simply because things are better understood and remembered when read. Trips over properties are more or less beneficial in the

early stages but after a man has made two or three of them their value to him decreases. Their two chief functions are (1) to give the salesmen an opportunity to get better acquainted with each other, and (2) to enable them to say to a customer "Mr. Jones, I have just been over that property and it is a wonder", for strange as it may seem a buyer seems to be more susceptible if a salesman can relate a few personal experiences, and can say in all truthfulness that he has just inspected a certain company and knows that it is there. In other words the personal side lights of the salesman frequently seem to have more effect than the cold material facts of a greater real importance, that are published authoritatively by the house back of the bond issue. Trips, however, are expensive and may cost as much as ½% to 1% of the par value of the bonds to be sold. Furthermore, since the composition of a sales force is changing all the time, it is a question whether the permanent benefit is proportionate to the expense.

As a method of encouraging good fellowship and building up a potent realization of the dynamic force of the organization, as well as being an educational institution, the writer has always been a great believer in business din-

ners, held not once or twice a year, but every month or six weeks, and attended by all the men working under a given office. These dinners should be informal and free from stiffness, but should not be allowed to degenerate into mere social gatherings. They should be devoted to talks and general discussions in which all can take part. The writer has always made it a practice to hold them in the evening when the men felt relaxed, and he has always endeavored to provide a programme that would hold the interest up to the last minute, and encourage the men to get into the spirit of the occasion. The picture of the business, the seriousness of it, the importance of each man to it and his wonderful opportunities are always kept in the forefront. This purpose has been carried out even to the placecards, a few of which are given here by way of illustration, and to emphasize a point of view in the handling of salesmen.* These little fables or parables, whichever they be called, are for the most part based upon actual occurrences within the writer's observation or upon his experience as a sales manager.

In handling salesmen collectively, whether in writing or orally, the writer has always endeavored to avoid a stilted manner even at the risk of using too many colloquialisms or resort-

*See pages 90 to 94 inclusive.

ing too much to slang, realizing from experience that it paid best not to be technical but to develop the punch and cooperation that was desired.

By keeping in close touch with each and every situation of every man through careful handling of his daily reports, by publishing

SALESMANSHIP vs. ORDER TAKING

THE ORDER TAKER follows the Path of Least Resistance. He shuns study, works by the clock, and is satisfied to live on the Crumbs that fall his way. He stays in a rut, Opportunity avoids him and he blames his luck, his territory, his firm and his associates for his Lack of Progress. He never rises above the low water mark of Mediocrity but always remains an Order Taker.

THE SALESMAN eats work and forgets time. He keeps posted on facts and conditions and knows whereof he speaks. He works for the joy of working and thrives on the Spirit of the Chase. His Optimism banishes discouragement, hard luck and disappointment. He is a Financial Adviser. He leads his customers and they follow. He grows day by day, Happiness is His and life is real. For the true Salesman, the sky is the limit.

MORAL: "There is more to the Bond Business than merely knowing the difference between Cost Price and Selling Price."

bullish sales letters and by bringing the men together frequently at the sales dinners, it has been found unnecessary to have the men come in off of the road every Saturday to report to the office, and what is thus saved in railroad fare, and in the work being less interrupted, very largely offsets the cost of the dinners and greatly increases the efficiency of the entire organization.

From the information given in this chapter it is seen that successful sales management is not only based on the technical side of business, but is largely a matter of the training and handling of men, and that these two latter are interdependent in that one can not be separated from the other. A sales organization is like a kaleidoscope. Its personnel is ever changing.

EFFICIENCY OF OPERATION

WE ONCE had a man who "sold bonds with his feet". For a while they "paid good dividends" but gradually through the entire Neglect of his Mental Upkeep and constant Decrease in his Street Mileage, the "dividends" were reduced and finally passed altogether. And then came the Scrap Heap.

Some Men are Active Physically and Lazy Mentally, others Active Mentally and Lazy Physically. One trait is as costly as the other. It takes the Maximum of both Thought and Energy to win Real Success. Anything less is a Waste of Opportunity.

Join the Movement for Bigger, Better and Brighter Salesmen. It's Worth While.

The men at the top must be kept satisfied and their producing power must be maintained, the men half way down the line must be encouraged to greater effort, and helped to reach the top, and such of those at the bottom as clearly show they can never rise above it, must give way to others to be tried out. The status of the organization is maintained only by being replenished constantly with new material, the best of which will push up through the rest and

help to keep up the standard, and the balance will seek its level.

The most discouraging and most trying feature of sales management is that an organization cannot be developed to a certain degree of efficiency, and then made to "stay fixed" but

DISTANCE LENDS ENCHANTMENT

A COUNTRY SALESMAN once asked to be transferred to the Metropolis where Investors were as thick as Flies, where good Bonds, to be Appreciated had but to be Seen, and One didn't have to be told how to Clip a Coupon; where the Agonizing Voice of the Call Boy was stilled and the Inexorable Itinerary unknown; and where, on every street corner, stood Opportunity and Fortune waiting to be approached by the gallant Bond Man.

A CITY SALESMAN, at the same time, tiring of the hard Paved Streets, longed for the Green Fields, the Trees and Running Brooks; for the Country where the Farmers "cashed in" the High Cost of Living and bought Automobiles and Bonds with equal Abandon; away from Noise, Confusion and Keen Competition, and where an Ounce of Eloquence outweighed a Ton of Knowledge and Information.

And Each, overlooking the Pot of Gold at his Feet, wanted to chase the Rainbow on the Horizon.

Moral: Every Other Fellow's Territory looks better than One's Own.

just as much thought and energy must be expended to maintain its efficiency as was required in the first place to create it. Only a very small proportion of men responds in the same degree as the impulse that is directed upon them. Probably it is well that they do not, or an organization might burst like a fly wheel from being run at too high a speed.

At last analysis, then, the success of any salesman depends first upon himself and second upon his house. The question has often come up how the credit for results obtained should be divided, assuming that the house and the quality of its goods be beyond criticism. The writer has usually answered the question this way:—In the case of a star salesman the

GAUGING THE CUSTOMER

A SALESMAN once lamented that no Customer of His could buy more than Five Bonds at a time. We replied this could not be so but that he was gazing at his territory through the Small End of the Telescope. It was evident he had either failed to locate the Big Ones or did not know how to "land" them, or else did not approach them in a Big Way.

We counseled him that if he would flatter their Vanity by talking Blocks of Twenty-five instead of depreciating their buying power and his own salesmanship by being satisfied with Ones and Twos, he would be surprised at the Result.

The Salesman was Wise, and took the Hint. The next week he reported three Ten Thousand Dollar Transactions.

Moral: A Customer is only as Big as the Man who sells him.

credit should go two thirds to the man and one third to the house, for such a salesman advances the house as well as himself; while in the case of an inferior salesman the credit should be divided two thirds to the house and one third to the salesman for such a man is pulled along by his house and thus retards its progress. Consequently it is not possible to work out any conclusive answer or final pro-

portions governing division of credit between the house and its employee.

The same thing applies to the time honored controversy between the buying department and the sales department. The buying department maintains that a thing well bought is half sold, and therefore it is entitled to the larger share of the credit. The sales department maintains that if a thing could not be sold, it

THE SPORT OF SALESMANSHIP

SOME SPORT is Work and some Work is Sport. Real Salesmanship is Work but it should also be real Sport. If you like to do a thing, it is Sport, if You dislike it, it is Work. The Successful Salesman likes his Work and he therefore gets Sport out of it. The Man who dislikes it, finds it Drudgery, and He is Unsuccessful.

If a Man is a Good Salesman, He is usually a Good Sport, and conversely, a Man who is a Good Sport is usually a Good Salesman.

Be a Good Salesman and a Good Sport.

could not be bought therefore the sales department deserves the honors. The writer does not profess to be competent to settle this much mooted question, but nevertheless he has usually found that the buying department could buy as much as the sales department could sell under normal conditions and therefore the work of the sales department was the more difficult and required the greater ingenuity. This is purely an academic question and is only cited

here by way of illustration simply because many salesmen reach a certain point in their careers where they take unto themselves too great credit for the results that their sales records show.

*CHAPTER IX

THE DEVELOPMENT OF THE BOND BUSINESS

The bond is an instrument of credit. The bond holder is a creditor. He loans his surplus wealth and receives thereon a fixed rental in the form of interest and a promise of repayment at a fixed time. So long as the covenants of the contract are complied with he has no control over the property securing his loan. However, if default is made in the terms of the contract the bond holder can theoretically take possession of the property for he has a claim upon it prior to any one not so secured. The stockholder, on the other hand, is the owner and operator of the property. After paying the interest and other fixed charges, he is entitled to the profits of operation or if the property be sold he is entitled to the proceeds of the sale over and above the claim of the bond holder.

The right of property or ownership goes back to the beginning of man. No doubt equally ancient is the institution of credit which is no more than the ability of one person

*See Introduction.

to borrow the property of another and to pay for the use thereof. Probably, in the Stone Age, debentures were inscribed on boulders. As property rights became more clearly defined and better safeguarded the instruments of credit became more specific and constantly afforded better protection until today we have the highly developed corporation mortgage. It is not my purpose to trace the history of property and credit for the subject is inexhaustible, nor do I even want to attempt to outline the early forms of bond issues for that is historical rather than practical and would require more study on my part than the importance of this particular phase of the subject warrants.

Going back, however, fifty years to the dark days of the Civil War, we find that the National Government had to borrow large sums of money at what would now seem to be exorbitant rates of interest. But when we realize the enormous destruction of property at that time, the great scarcity of gold, the much greater purchasing power of the gold dollar, the depreciated value of paper currency and finally the unstable condition of the Central Government, we can appreciate the risks that capital took and also the task that the bankers for the Government had on their hands. Fol-

lowing the close of the war and during the resulting unsettled conditions in the South, the "Carpet Baggers" took advantage of the situation and issued millions upon millions of dollars of municipal securities for which, in many cases, the municipalities received little or no benefit. This resulted in the era of repudiation that subsequently followed. Then came in the '70's the period of wild-cat railroad construction and over capitalization and the issuing of many millions of railroad bonds by over sanguine or loose managements.

All of these influences naturally more or less discredited the general class of bonds as safe investments and it is not surprising that the best municipalities and railroad corporations had to pay seven and eight per cent. for money and even now some of the old sixes are still outstanding.

It was with these conditions yet fresh in peoples' minds and with the laws restricting the creation of debt by cities and counties loose or defective, that the modern distributing banking houses began their uphill fight. In the '80's and even in the '90's there were long profits in municipals, but then it was some work to sell them. While the popular taste for Western municipals was being developed, the

larger trunk line railroads were developing and getting on a firmer foundation and their securities becoming better established. Then came the financing of gas and water companies, and of horse-car and cable lines and after that the building of electric light plants, and then in the '90's, the electrification and consolidation of the passenger railway lines, and after that the building of the interurbans. All the while, the steam railroads were pushing out and extending their systems and swallowing up other roads and double tracking, and building terminals, and issuing improvement mortgages, and purchase money mortgages and general mortgages.

While these things were going on, the country was becoming readjusted, and established on a solid foundation and wealth was increasing and people were saving money and investing it. And as one class of securities won the public confidence, the rates of interest for that class gradually fell and the investors sought another class to get a better yield, and so on from one class of bonds to another. And as each class of investments became established in peoples' confidence and it became easy to raise money for that class—over construction and over confidence and over capitalization

took place and so it has been through the ages and so it probably always will be. Recently this has been typified by the enormous development of holding companies, buying everything in sight and paying for it with preferred and common stocks, and by the flood of heavily capitalized industrials running the gamut of everything from locomotives and automobiles to five and ten cent stores.

Taking up the thread again, we find at the close of the last century the greatest industrial development that the country has ever witnessed. Trade was booming and everybody was making money and credit was expanding and bankers working overtime trying to manufacture securities fast enough to take care of the enormous investment demand. Money had never been so cheap before. New York Central 3½'s sold at 113¼. Cities like New York and Philadelphia were putting out 3's, and even some of the railroads of lesser importance put out 3's and 3½'s, though at a discount. 1899 to 1900 saw the climax of this movement and in 1901 the pendulum started in the other direction. From then until today with slight interruptions, there has been a steady decline and we are getting back again to a period of relatively high money rates. How far this

present movement will go, it is impossible to say, but the turn has to come some time for the pendulum cannot swing in one direction forever. Some people pretend to say that we will never see another 3% investment rate. That statement is, however, impossible to prove, but it will probably be many years before rates are so low again.

In 1901 the municipal bond business had seen its palmiest days as far as the banker was concerned. Steam railroad bonds were in high favor. Gas and water bonds were well established and fairly popular, but difficult to purchase on account of the scarcity of the issues. Street railway, electric light and power and hydro-electric securities had had their ups and downs and it required intelligent salesmanship to place them.

The past ten years however have seen the last named bonds steadily increase in popularity. With growing experience, bankers have learned how to separate the good from the bad, and how to safeguard the investor; also the constantly increasing cost of living and the continued declines in the prices of "rails" have forced home on bond buyers the advantage of properly secured "utilities". Likewise, the fact that public service companies supply public

necessities for which the demand is constant, insures a permanency of earning power which increases with the growth of population while steam railroads and industrials are more or less subject to general business conditions. Finally, the generally prosperous condition of the country over a long period of years has created a multitude of investors, and during the past few years the high-class magazines and periodicals and the educational work of bankers have taught the people the advantages of good bonds. The result is that never before in our history have public utility securities been so well regarded and so popular.

Before passing on to the next point in the discussion, it may not be amiss to read you an article which I contributed to the 1912 Annual Financial Review of the Public Ledger. It is as follows:

"Some people try to combine speculation with investment in buying bonds and, as a result, accomplish neither purpose. Theoretically, a bond is the safest form of investment. Obviously, therefore, it should have the smallest element of risk. That which has no risk has no speculative value. Conversely, anything that is speculative has risk. If you have a dollar, you can either invest it or you can specu-

late with it. No one dollar is big enough to do both kinds of work at the same time. This may sound elementary, but it is surprising how many people have not learned the lesson."

"There are hundreds of ways in which money can be risked with the hope of getting an abnormal return, but there is only one way in which to invest in bonds, and that is to put the point of safety above all others. If bonds are bought because they are safe, the buyers should be satisfied with a normal return and should expend his energies toward getting the greatest factor of safety commensurate with the rate of interest he must have."

"There are degrees of safety in investments, as in mechanics. A bridge need have only a reasonable margin over the greatest weight that can be placed upon it. Any greater factor than this is a waste of material. A security should have all the elements to make it safe beyond question, but it need not possess such a high degree of perfection that it becomes a luxury, for then it is a partial waste of investment capital. In other words, for the average investor, the most satisfactory bonds are not the low rate municipals or high-grade underlying rails, but properly selected public utilities yielding in the neighborhood of 5 per cent."

"The basis of sound investment is knowledge and experience, not the necessarily superficial information of the layman, but the specialized training of the most careful of investment bankers. Only through the broad experience of years, gained by financing a large number of securities under widely different conditions, is a firm qualified to make the rigid constructive investigation which will enable it to recommend to its customers an issue, with an assurance of permanent stability. It is the application of intelligent methods, derived from this thorough school of experience, that is the investor's safeguard, and an outline of a few of the lessons taught may not be amiss in this financial review."

"A few years ago the theory was that, to be choice, a bond had to be secured by a first mortgage, and a closed one, at that. However, the views of bankers have changed and the old idea of binding a company hand and foot has given way to the broader view of allowing more discretion to the management under proper restrictions. It is not a question of how much is ahead of a security, but of how much is behind it. Our country and its resources are developing rapidly, and the facilities required by the people must keep pace with the growth of population."

"It is impossible to anticipate corporate financing very far ahead. Consequently, if a mortgage is too closely limited in amount it is quickly outgrown and refinancing at advantageous terms may prove difficult. This is a disadvantage to the bondholder and may prove a drain upon the property securing his obligation. It is far better that a mortgage be made large enough to take care of the corporate necessities for years to come. The security holder can be amply protected by providing that bonds can be issued for only 80 per cent. of the actual cost of new property, and then only when gross earnings are five times and net earnings one and three-quarters times the fixed charges upon all bonds outstanding and proposed to be issued. An additional safeguard frequently employed is the creation through the mortgage of an annual maintenance and depreciation fund."

"The essential margin of net earnings over fixed charges depends upon conditions. One security requires more than another. The smaller the company, the larger should be the margin. Under normal conditions a ratio of two to one is ample. In the case of very large corporations, if the net is one and one-half times the fixed charges, this is usually suffi-

cient, as the earning power is less affected by outside conditions and the final surplus is sufficient to take care of unforeseen contingencies."

"Unfortunately, in many published statements the true earnings are disguised or cleverly arranged to give a wrong impression. The writer recalls one very prominent case where, under the caption of "operating and other expenses" were included the fixed charges on a very large amount of underlying bonds. This presumably was done to give the impression that the resulting net earnings were twice the fixed charges of the company, whereas the margin over the total fixed charges was dangerously narrow."

"This is an abuse that is common to many holding companies. Where a corporation controls a number of subsidiary companies and the earnings of the latter are carried forward into the parent company treasury, the income accounts of all the companies concerned should be closely scrutinized, and unless the total net earnings show a very comfortable margin over the total fixed charges, the parent company's bonds should be let alone, even though the carried forward surplus earnings of the subsidiary companies are two or three times the fixed charges on the parent company's bonds. This

is a matter of the greatest importance in buying corporation bonds, and a pad and pencil and a copy of a manual are an excellent precaution."

"Earnings are figured differently by different operators. One man will charge against capital account items which another man would properly charge against operation. One manager will pro-rate over a long period of years the expenses of contract solicitors, while another manager will charge this into the year during which the earnings were increased. The experienced investment house has analytical accountants who are competent to go into all the numerous matters of this character and make up their own statement of earnings from the company's books, for while few operators purposely create a wrong impression as to earning power, some draw the lines much less closely than others, and the complexion of a statement is frequently very much changed after it has undergone a rigid examination."

"The future growth and stability of a territory have a greater bearing on the permanence of an investment than the past successful operation of the company supplying it. It is better to buy the bonds of a corporation earning a relatively small margin over fixed charges, but

operating in a rapidly growing section, than it is to buy bonds of a company earning two or three times its interest, but operating in a stagnant or declining community. The character of the population and territory are also of great importance; likewise, the greater the diversity of business carried on by a corporation, the more stable its earnings. All one-industry communities, pleasure resort propositions and similar opportunities should be passed by."

"The physical or replacement value of a property is the cost of duplicating it in an equally good condition to accomplish the same amount of results with the same degree of efficiency. If money has been wastefully spent or property has been unnecessarily duplicated, the junk value of the plant, but not the replacement value, has been increased thereby. The physical value of a property should be considerably in excess of the total funded debt, otherwise an agitation for lower rates might reduce the earning power to a point where the margin of safety was impaired. Probably replacement value and earning power taken together are the two most important points to be considered in investigating the safety of a bond issue."

"There are experts and experts. The value of a physical, legal or accounting examination

depends entirely upon the ability and reliability of the man who makes it. The successful investment banker must know his experts thoroughly and be able to size up which one is best suited to make any particular examination."

"The influence of the personal equation must be eliminated by having the report made by the expert for the buyer and not by the expert for the seller, for no matter how honest and honorable a man may be, he is unconsciously influenced by the interests of his employer. Having secured the reports from the legal, engineering and accounting experts, these must be interpreted by the banker in accordance with his experience and his knowledge of conditions. He is the final concentrating force who harmonizes the divergent elements and welds them together in permanent financial stability."

"What makes a security marketable? Listing alone does not do it. It is supply and demand; and the demand for a security depends upon its intrinsic quality and upon its having been properly 'placed' in the first instance. A security that is weak in itself or has been handled by a weak house will not 'stay put'; likewise, even a good security, when not sold to ultimate buyers, but placed in large

blocks to institutions buying for a turn, will have a 'soft' market until thoroughly absorbed. On the other hand, when an issue of good bonds is entirely distributed to actual investment buyers, the market will take care of itself, for the normal demand will absorb any small amounts offered for sale. Listing a bond issue does not create buyers: it merely establishes a printed quotation and a convenient method for a seller and a previously created buyer to get together. Properly placing a bond issue in the beginning is of far more benefit to the holder than having it listed on an exchange. The responsible investment banker who does business on a large scale is in the best position to see that new issues are so placed that they will afterwards enjoy a ready market."

"Some investors believe only in municipals. Some only in railroads. Some only in utilities. This may be termed 'vertical classification' and is an absurdity. What the writer terms 'horizontal classification' is the safe principle. In other words, the best secured of the three kinds of bonds mentioned is a good investment. No one can say that all municipals are good, or that all railroads are good, or that all utilities are good; but the best of any of these is a good security and a good utility is far better than a poor municipal."

"To illustrate, it is the writer's experience that a good public utility paying 5 per cent. or less is better than any railroad or municipal yielding the same rate of income, and the average railroad paying 4¼ per cent. is better than the average municipal paying the same rate. Each security should be judged on its own merits and compared with its own class, and only the best of any class should be selected regardless of yield. If the best of one class does not yield enough, do not take a poorer bond in that class, but go to the best of the next class."

"These are a few of the points encountered in trying to arrive at a correct judgment in buying bonds. There are, however, many other things having a direct bearing on the situation. Each security presents its own complications. These require the most painstaking, thorough and experienced investigations. The layman has not the means, ability, opportunity or knowledge to do this, and even if he had, his relatively small investment would not justify the expense. Furthermore, the combined judgment of an organization of trained experts is better than the judgment of any one individual can possibly be."

"The proper kind of an investment banker

feels a deep responsibility toward his customers; not only the necessity of recommending to each person the kind of security best suited to his requirements, but the obligation to watch over that security and see that it is not impaired, and also if the customer desires to realize upon his investment, to see that he receives a fair market price for it."

"In the last analysis the subject of investments is so broad and it is so difficult to separate the wheat from the chaff and so few people are familiar with financial matters, that it is more important to investigate the banker than the security he is handling. If he has the reputation, gained by years of successful business, of giving every customer, whether large or small, a square deal; of handling only securities of the highest quality and of standing back of them, and of making a market at a fair price when a customer desires to sell, he is the man whose advice should be taken and the value of whose services should be appreciated."

Our aim and ever present ambition is:—

To sell bonds that are safe and which will always remain so.

To make new customers.

To keep the customers already made satisfied and make them strong advocates of our methods and our securities.

To build up an organization of clean self-reliant men.

To give everybody a fair and square deal, keeping the size of the dollar forever in the background.

To lift our work above the level of a worldly grind and make it a joy and an inspiration. Hard honest effort makes a clean mind, a healthy body and a cheerful spirit and brings results that compensate.

The house that tries to make all its profit on the first sale has a perpetual job hunting for victims. One dissatisfied customer can cost more business than will be made by two satisfied ones. Our success is dependent upon small profits, repeat sales and a large volume of business. For us there is no money in the first sale. We must demonstrate that our goods are of the highest possible quality. They must stand up under the test. Confidence is a plant of very slow growth and yields quickly to the frost of suspicion. In watching the work of various men over a period of years, I am satisfied that the primal quality of salesmanship is the ability to impress the prospective buyer with your sincerity. No matter what the standing of the house or the quality of the goods, if the salesman cannot inspire his customer with confidence in his trustworthiness and in his knowledge of his subject he is foredoomed to failure. The man who can be trusted, who knows his

business and who sells goods that are right in quality and price, need not worry about cut throat competition.

There is no question that our men are backed up in a way that is not excelled, and I doubt if it is anywhere nearly approached by any other house. We employ a class of men of the highest and cleanest type, we have a reputation that is beyond question, we are well and favorably known, we are "on the job", we are liberal in our treatment of both customers and employees, we protect our bondholders in a more than creditable manner and finally we handle a class of goods that has stood the rigorous test of time.

We do not claim to be the only good house in the business. We are not afraid of competition for "honest competition is the life of trade" and the more people we have educating the public, the more bond buyers there will be. Our greatest competitor is the "home investment", particularly the "local mortgage". Education and plenty of it is the antidote for this. Probably our worst handicap is the fact that in no other line of business is the buyer so ignorant of the quality of the goods he is buying or so helpless in distinguishing the good from the bad. Therefore, confidence is an abnormally

large factor in our relations with our customers. Also our trade is more apt to be saddled with goods of inferior quality at low prices bought from less reputable or less experienced houses.

Meeting competition successfully calls for plenty of tact and considerable psychology. No buyer wants to have his own shortcomings pointed out to him, nor does the world love a knocker. Do not dig up the weaknesses of your competitors' goods but speak well of the good points, and then pound home with every ounce of ability and energy you possess, the strong and incomparable points of your own security and boost your house. The average buyer is not analytical. Know all the facts about the bond you are selling, but do not swamp the customer with figures unless he invites them, and then be prepared to give him all the information he wants. Cultivate his confidence in you and in the house, and when you have won it, your competitor is going to have a hard task to displace you. Knowledge is power and confidence is three-quarters of the battle won.

*CHAPTER X

SALES METHODS AND AMMUNITION

In this series of talks a large number of essential facts regarding the investment business has no doubt been discussed and it is important that you should be familiar with as many of these as possible before attempting to sell bonds, but to attain any degree of success a salesman must have a good knowledge of the bonds he offers before approaching a prospect. A sale in this line of course is based upon confidence in either the house or the representative, but generally both. Therefore to inspire the confidence of the client by his knowledge of the offering, the representative should be able to discuss it without reference to his circular, as he will be more likely to hold his customer's attention and at the same time form an opinion of his peculiarities. As a means of mastering the important facts of our corporation issues I have found it helpful to make a brief analysis of each one. It will not only serve you as a quick reference, but will assist you in memorizing the important details of an issue in a logical

*See Introduction.

order. In making this analysis it should be paragraphed under different headings and brief enough to be typewritten upon one side of a sheet.

I have found the following form very convenient:

First: Name of bond, interest rate, maturity and interest dates.

Second: The capitalization. Showing the securities in the order in which they are a lien on the property. For instance, if the bond which you are offering is a first lien, list that first, and then the second lien, followed by the preferred and the common stocks.

Third: Territory. Give a brief outline of just where it is located, the population, the area served and the past growth of the district.

Fourth: Description of the property. State nature of same, capacity, or mileage if a railway.

Fifth: Equity over bonded debt. This may be arrived at in different ways, either by actual appraisal of the engineers, or upon the basis of the market value of the junior securities, or upon the earning basis. Some large operators claim certain properties are worth from seven to eight times their gross earnings.

Sixth: Earnings. Give a comparative state-

ment of gross earnings, for a period of years, and for the last or current year show also the net earnings, interest charges and balance.

Seventh: Franchises.

Eighth: General. Mention the fact if it is tax free or listed and the prospective growth of the territory, the holders if you are permitted to do so (such as institutions), the engineer's responsibility and something about the accounting certificate. More and more importance is being attached to the certificate of recognized public accountants, particularly by investors who have questioned the accuracy of earning statements submitted by many corporations in the past.

As additional ammunition or information, I would suggest that you familiarize yourself with the following arguments:

Bonds vs Stocks, Bonds vs Mortgages, Listed vs Unlisted Securities and Corporation vs Industrial, Railroad or Municipal Bonds. You will be asked many, many times to tell the advantages of one of these over the other.

One of you gentlemen asked me recently about the arrangement of a working list. You will find the card list convenient for larger towns and cities because it is possible to separate names in the different sections of the city

and carry only such as you may need. I am sure a book is more convenient, however, for a country territory. I use a loose leaf book, arranging the names alphabetically on the sheet and then arrange the sheets alphabetically according to town. Lists of bank directors are made on separate sheets inserted next to the index guides. If you have a large list use a separate loose leaf book for customers and their holdings. Arrange sheets in this book alphabetically according to name instead of towns. This will enable you to make any notations desired regarding disposition of securities held, traded or sold without lumbering up your list of names. It also affords a quick and convenient reference, particularly if you supplement this information with a cross index of our own corporation issues which have been sold in your territory.

The handling of a bank board is a problem of influencing men, but quite often one of influencing a man. I have found that the majority of boards are dominated by some one or two men. But before you get to the board you will encounter the cashier, or other active official in charge of the bank (and he is sometimes from Missouri). You will find some cashiers fairly well informed; but you will be surprised at the

ignorance of securities on the part of a large majority of bank officials.

The difficult man to handle is the constant grouch. He is found in every industry but there will be times when you will think they are all in the banking business. I recall an experience I had with a man of this kind which may interest you. The man I refer to was the cashier of a bank and had a very brusque manner. Although I had made many calls he never seemed to recognize me when I first went in. He would come to the window, look at my card and just about the time I began to discuss some offering he would walk over to his desk some distance from the window, sit down and begin to read or talk to some of the clerks in the bank. Of course that was extremely discourteous to say the least, and after several vain attempts to get his consideration of our house or our offerings I mentioned my experience to one of the directors for I knew they had bought bonds in the past. He admitted that the cashier was quite peculiar but intimated that without his (the cashier's) endorsement of an issue it would be useless to discuss it with the board. He told me, however, that at a previous meeting they had discussed some Pennsylvania 3½'s, 1915, which yielded at that time about

4½%. A few days later an issue of Pennsylvania equipments came out. I called the cashier up on the 'phone from a nearby town and told him I could offer some Pennsylvania Railroad equipments, and to my surprise he asked for some information; finally he said, "How many should I take?". I suggested not less than $15,000. He replied, "You can send me $10,000". Of course, this was unexpected. Next time I went over I received a more courteous reception and an opportunity to discuss corporation bonds with him. A short time afterwards I succeeded in having him come one evening to the hotel at which I stopped and spent a couple of hours with him. During this interview I learned considerable regarding the bank's holdings and some of their unfortunate investments which partly accounted for the cool reception he gave bond men. Next time we had a new corporation issue I called him on the 'phone and told him what we had and that I would like to file his order for $10,000, to which he finally agreed. Later we had another corporation issue of which I sold him $25,000. This is only another instance to prove that even the most obstinate men can be brought into line by persistence or a little ingenuity.

It is desirable to ascertain as early as pos-

sible the purchasing power of your banks. For instance, if it is the rule of an institution not to buy more than $10,000 of any one issue and they adhere to that very closely, it would of course be unwise to give them your best price on larger quantities. When bringing out a new issue it is usually customary to make a concession on blocks of $25,000 and over, and it is not advisable to mention this to smaller buyers unless you have good reasons to think the concession is sufficiently attractive to induce them to make an exception or increase their limit.

Orders offered by bank officials subject to the approval of the finance committee place the salesman in a peculiar position at times. It is desirable of course to have such an official at least committed in case there should be other offerings submitted to the board and yet if it is a listed issue or something which may be sold out before their meeting, the house may not be willing to fill the order at the price previously given. The committee in many banks will almost invariably approve such purchase but the house will often depend upon the salesman's knowledge of the situation and advice in accepting the conditional order, and it is a good policy when possible to ascertain at least the sentiment of the individual members of the

committee towards your bonds, particularly where you have had no previous dealings with the bank.

A little diplomacy is necessary at times in order to get permission to discuss offerings with the directors or finance committee. Some committees are more liberal than others with their time, and in many places where you or the house is fairly well known you will be given an advantage over leaving your circulars where, perhaps, they may become buried among those of competitors. You will find it advisable not to distribute circulars among members of the committee before you have discussed your offerings, for if you do, some will be looking at the map perhaps, while you are discussing the earnings, or at the possible water in the common stock while you dwell on the location, with the result that the force of your argument will be lost.

If you are not familiar with the preferences of the board I would suggest that you offer two or three issues. Mention first some well known bond, the security of which is unquestioned; that will often give a very good impression and perhaps avoid any prejudice at the beginning. This applies of course more particularly to some country banks having directors who are

not well posted. It is a mistake to offer too many different issues, and my experience is that three is sufficient except in special cases where a large amount will probably be purchased. You will find the cashier is generally interested in getting as high returns as possible while the board may give more attention to safety.

Discuss offerings with as little reference to your circulars as possible for you will then have an opportunity to size up the probable kickers and the talkers, and you are better able to hold their attention, and at the same time make your arguments more effective. Often times the cashier will turn over his circular in the meeting to the most influential man on the board and that information may be of value to you later. Draw out as many questions as you can before leaving the meeting, for if you can start a discussion it will give you an opportunity to overcome any individual prejudice or clear up any points which may have been covered too hastily or perhaps omitted. When questioned in the meeting about offerings of competitors, it is a good policy to say as little as possible for the competitor may have friends on the board who might be offended should you give too much information regarding something they had endorsed at a previous meeting.

You will be asked sometimes if any banks in the vicinity have purchased the issue you may be offering. In such cases it is advisable to simply say you must decline to discuss the holdings of any of your customers, because that is a confidence which you are not permitted to violate, and no one can take exception to your reply.

If the board is small it is sometimes possible to remain until action is taken and defend your case should there be any opposition. This privilege does not come very often however. Discourage if possible the discussion of anything foreign to the offerings you present. I know of one board where two of its members are of different political faith and they nearly always get started on politics while others become impatient and at times threaten to leave before any action is taken on investments.

In another instance, I was discussing some offerings with the cashier and finally asked him about the prospect of talking to the board when they met that day. He said he didn't know, but he was afraid the chances were not very good. He added that they had had a peculiar experience the week before. It was a comparatively new bank and some inexperienced bond man had been granted this privilege at their last

meeting and after making a few remarks about his bonds some questions were asked by the committee, but he did not seem very well posted and evaded most of them. He then endeavored to entertain the board by reciting some poems in Scotch dialect. Of course they were disgusted and were not inclined to admit any other bond men to talk to the board for some time afterwards.

The point of taking orders subject to a correspondent's approval has probably been discussed by others in this series of talks. However, I will add that if you know before the committee adjourns that this condition is to be placed on the order, you can often have it waived by going before them and stating that you will be very glad to have them refer any of our offerings to their correspondents, but they must realize that their correspondents have no engineering or other facilities for investigating the offerings of bond houses and that they do not know any more about the issue than what is told in the circular. Furthermore, they should put themselves in the position of their correspondent and imagine a customer coming in and requesting their approval of some bond he or she might wish to purchase. It is quite likely they would be reluctant to assume this

responsibility. What you should advise them to do would be to write and ask their correspondent something about the responsibility or reputation of your house and their past experience. You can then sometimes draw up a letter addressed to the correspondent for the cashier along those lines, which will serve their purpose and at the same time you avoid leaving the impression that you are afraid to have your offerings referred to the city bank.

In regard to calling special meetings, I might say that some banks have a finance committee which is composed of from three to five members. If you have something of sufficient importance it is often easy to have them call a special meeting, particularly when they meet only once a month. The point is if you really do have something that requires immediate action, don't hesitate to suggest this to the cashier anyway.

Personally, I don't think there is any great difference between the country investor and the city investor except perhaps in the number of bond men he may have calling on him. Some of the larger investors in the city are probably a little better posted; but anything which may be done or said to gain the confidence of the city investor would in my opinion apply to the

country investors. Give the client every reason to know that you consider his interest paramount in making recommendations to purchase or trade. Take advantage of every opportunity to impress him with the care exercised and the thoroughness of the investigations made by the house before an issue is bought.

In this connection I might add that you need not fear repetition, for some investors must be assured and reassured every time you call upon them. You should ascertain the degree of security and marketability which the particular prospect requires. A great many investors imagine they must have a listed bond and be able to see daily quotations in the papers. If this is not necessary they naturally sacrifice income or security for a degree of marketability that serves them no real purpose.

I think the state of mind of the salesman is contagious to a very great extent, and if he thoroughly believes in what he has to sell he will not only be more likely to effect a prospective sale but will at the same time (unconsciously perhaps) get a better hold on his client's confidence.

Last year the house offered one of the largest corporation issues which they ever handled.

One might have thought there would be sufficient bonds for everybody. For some reason, however, the impression seemed to prevail that such would not be the case and as a consequence we sold people who had never bought corporation bonds before. This was due I think to the fact that every man went after his customers with enthusiasm such as he had never had before and overcame every objection the investor could raise against the issue. We read considerable about the advantages of enthusiasm and some of us are born with it; some have it thrust upon them, but I am afraid most of us have it only intermittently. There are some very good little magazines published which I find contain some excellent articles likely to stir up a little extra energy when business is not exciting enough to keep up one's spirits.

You of course know the dangers of knocking bonds offered by competitors. It is a good plan to make comparisons when asked for information regarding a security which you know has certain weak points. Select some one of your own issues with which you are familiar and show the advantages of one over the other. By this means you avoid direct knocking and at the same time put in a good argument for your own bonds.

I once called upon a bank and the cashier told me they were seriously considering the purchase of $10,000 of a certain corporation bond offered by one of my competitors. I knew that some of their directors personally held blocks of the issue in question and that there was a strong probability they would approve the purchase of some for the bank. The cashier was kind enough to loan me his circular of the issue which was offered at 97. I then made a comparative statement with one of our corporation issues selling at 95. The nature of the product of the two companies was similar but our issue was decidedly stronger from standpoint of earnings, past growth, capitalization and other features, which advantage at first might not have been apparent to the directors on a casual observation of the circulars. After discussing our bond with the board, some one asked for an opinion of my competitor's offering. This gave me just the opportunity desired, and I laid before them the comparison which had been prepared in advance with the result that we secured the order. This incident also emphasizes the advantages of being in close touch with the cashier or at least one member of the board.

There is one feature I wish to mention

regarding the adjustment of interest charges in the profit and loss account of banks or institutions. I have offered bonds to banks at times when the cashier objected on the ground that he didn't like the interest dates. His objection would be based on the fact that there was too much accrued interest to pay and charge to his profit and loss account shortly before his dividend period. This would be brought up perhaps only by small institutions but instead of charging the accrued interest against his profit account, he should open an "interest paid account", which would be carried on the debit side of his ledger as an asset until the coupons matured, and by so doing his books would show the true condition of the bank and his interest and discount (or profit) account would not be affected by the purchase of such bonds.

The question of when to use the telephone can better be learned through experience. When you are sufficiently well acquainted with your customer to close a sale by telephone considerable time and expense may often be saved but you will remember also, it seems much easier for the client to say "No" over the telephone than it would be if you were present. I have made a considerable percentage of my sales this way at times when it was an impos-

sibility to see a man personally. You can also reach a man sometimes who may decline to grant you an interview. Under ordinary conditions, however, direct personal contact is the most efficient and the most productive method of salesmanship, and is the one which I would advise you to follow.

*CHAPTER XI

SELLING COUNTRY TRADE

Mr. Peirce has asked for a discussion of the topics "Selling Country Banks" and "Handling the Country Investor", as outlined in your memorandum, and I shall try to give you a review of the conditions as they have developed in my territory during the past few years.

The two topics specified really come under one heading. In other words, your country banks and your country trade are practically the same thing, for when you handle an institution, you handle not only the institution, but all the directors of that institution. In lots of cases the directors of such and such a bank that you sell, will also be your customers individually, and they are the men you should cater to and cultivate, to help you with the bank.

When you sell a country bank, you generally have to address the board, which as you all probably know, will consist of from five to fifteen or twenty members. As a rule the president or cashier and one or two or three of the directors pass on the offering, and the best plan

*See Introduction.

is to be especially close to those men who are really the controlling factor of that institution.

Before presenting an offering to a board, it is a foregone conclusion that the members of that board, as well as the cashier and president, know the house and think favorably of it as a bond house, or are acquainted personally with the representative, otherwise some education or information as to the standing of the house and the securities they handle, is first necessary, or the bank will want to make some inquiries, or refer all your offerings to their correspondent for approval. In this event if we are offering semi-active securities or ones that are not listed, the chances are nine out of ten that the trade will not go through, for the correspondent for lack of knowledge will not give them a favorable report, as it cannot take the time necessary to make a study of the various securities about which its country institutions make inquiry, and the consequence is that you lose out on the sale. Of course, when we are offering securities which are listed and have an active market, a favorable reply is usually received from the correspondent, and in cases of that kind where a bank likes a bond you are offering, you will generally get an order.

You must educate your directors and the

officers of an institution as to the standing of our house, and point out to them that much depends on the house. For instance, a country bank writes to a Philadelphia bank and asks about a bond we are offering, and the Philadelphia bank doesn't know anything about it; they may have heard about it, but they will not take much time to look it up; they will find out what little they can and say, "We do not think much of it" or something of the kind. If you educate your people and make them know that our house always investigates a proposition very thoroughly and that before we buy an issue it has to measure up to a certain standard, after a time you will have their confidence and sell on your initial offering.

Before presenting an offering to a board, you should know your subject very thoroughly. If you stand up before a board with a dozen members sitting around the table and make a speech telling all about the bond, they will probably want to ask some questions. You should have your answer right away and be familiar with your circular, know everything on your circular. Lots of times some member of the board will ask something about the replacement value or will ask what are the restrictions on issuing additional bonds. If you are not familiar with

that particular point, you should know where to turn to your circular to read that explanation to them. If you cannot do this, they are going to be a little wary, for they will think you are not posted as to what you are presenting and do not know your subject thoroughly. When presenting an offering to a board, you should have lots of information in addition to that shown on the circular, especially after you have once gotten your board interested. For instance, when we are going to bring out a new issue, the house will give us a four or five page memorandum, and on that will be many points that are not in the circulars, and if you make notes of those points and use them as a final argument before you are through addressing your board, they will invariably be very convincing. To my knowledge we have never yet put out an issue that we didn't have what we call "an advance memorandum". This will give you plenty of information, in addition to that on the circular.

The board does not necessarily always pass on your offering. The president or the cashier may control the situation, and in cases like that you must always go to the president or the cashier first and personally make your offering to him and practically get his approval before

you talk to the board, and in those cases a strong talk to your board is not necessary; just give a general outline of the specific security, and then the president or the cashier will give them any further information they want; after which you will be excused, but you should wait outside in case any questions come up which they want answered. In other cases, where the board considers an offering and must pass on a purchase unanimously, be prepared to give them complete data on your offering and after explaining it in detail, inform them that you are ready for questions and will cover more fully any points they do not understand, or any other points you did not mention, about which they may wish some information. If there are no questions forthcoming, and in nine out of ten cases no one will ask any questions, your best point is to ask Mr. So-and-So for instance, a man whose influence goes a long way, whether he has any questions, but beforehand you should have acquainted Mr. So-and-So with the issue that you have presented to the board; invariably the man that you ask the question of will say there is nothing further he wants to know, and that has a great deal of influence with the board. If the party whom you address does not ask any questions, you can feel pretty well assured of an order.

It is always a good idea to get to a town, especially in the country, an hour or so before the board meeting. You may have a new offering with which they are not acquainted, and if you are there early enough you can have a talk with a few of the directors, see the cashier or president or some influential member of the board, and acquaint him fully with the facts of your offering.

In one of the banks up State I had addressed the board from time to time without success. I finally found out the cashier was looking for a commission. The cashier would always tell me they didn't have any money but would buy as soon as they had funds. I was very friendly with two or three members of the board and really had an order from this bank for ten bonds of a certain issue then selling at 94 or 95 now selling at 101. We had the order on our books but they never wrote in to ship the bonds so the transaction was never closed, due to the fact that the cashier was not offered a commission. The next time I had a chance to do business with them was on an offering of another new issue. After addressing the board I waited around until they had adjourned. The cashier called me over and said, "We are going to buy some of those bonds, but cannot buy them now

as we do not have any surplus funds." After leaving the bank I walked over to get my trolley, and while standing there two directors with whom I had gotten very well acquainted came over and said, "Did you fix that up with our cashier?". I said, "Fix up what"?, and then they told me the board had passed a resolution asking us to give them an option on ten bonds until their next meeting. They did not have the money, but they wanted an option on these ten bonds for a week, as they expected funds within that time. I told them the cashier didn't ask for anything of the kind. That made them pretty hot and immediately they got busy and called the entire board together again. I went in to their board meeting again, the cashier being present, with the result that they gave me an order for ten bonds, delivery within thirty days. That opened their eyes and they had the assistant cashier check up their files, and found that the cashier had been getting a commission on everything sold to the bank. The result was he lost his job the following 31st of December. They have a new cashier now and we have sold them probably seventy or eighty thousand dollars worth of bonds since. That was a little over a year ago, and they have since proven to be very good cus-

tomers, and the new cashier will write in whenever he has a customer in the market and say, "What have you to offer for a customer of ours who has so much to invest?".

Another experience I had with an institution —an old one and a very good bank. They have about $100,000 capital, over $100,000 surplus and deposits of $700,000 or $800,000. I called there regularly and became very well acquainted with the president of the bank and knew the cashier very well too. Every time I went in there for three years straight, I got exactly the same answer, "We are not buying bonds; we do not buy bonds, and we do not consider them." A little over a year ago they met with some pretty heavy losses in commercial paper, with the result that they decided to buy a few bonds. Fortunately I happened to be on the job and knew they were in the market. The first order, I think, was for only five bonds, but they have purchased since that time about sixty thousand dollars worth of securities, and I have sold them practically everything we have brought out for the last year or so. I have done about $40,000 worth of this business out of the total of $60,000.

You may call on a bank time after time with the same answer, "that they do not buy bonds".

Do not let this discourage you, especially in a town where you go regularly to call on other institutions or individual investors, for it takes only a few minutes to stop in a bank and have a chat with the cashier or president of such an institution, especially when they are not interested; but some day that institution is going to buy, and that is the time you should be on the job. It pays to keep after an institution of that kind, because they will be a customer sooner or later, and when they do buy it will be from the man who has been the most persistent, and especially the representative of a house like ours. Since then I have sold the president, three of their directors, and three or four of their customers, and I have probably gotten seventy to seventy-five thousand dollars worth of business out of that institution. Not long ago the president told me they had two very good customers who up to the present time had been buying real estate, that is, local real estate such as farms in the community. He said, "Some of these days before long they are going to buy bonds, and when they do buy bonds I want you to get the business". He even went so far as to take me to the office of one of these men, a man making from fifty to sixty thousand dollars a year, introduced me to him and

said, "When you are ready to buy bonds, the house this man represents are the people to buy from". The first of April I was in the bank, not to make them an offering for they were busy, but to check up on something else, another trade I had pending; I wanted to see the president and after I was through with him the cashier said "I want to see you a minute". He was talking to one of their customers at the window; I went over and he said, "This gentleman has a couple of thousand dollars to invest and also has some friends who want to make some investments." He said, "Take him back in the private office and talk to him", which I did and found out that he had a couple of thousand dollars and the rest of the family had forty-five hundred. While talking with him the cashier came back and said, "Whatever this salesman recommends is all right; you can take his word for it". I didn't sell him, but will later on. This is just one of a number of similar experiences, and lots of this kind of work is necessary in order to develop new sources of business.

Another bank generally buys from one of our competitors,—that is, the board prefers their bonds. The cashier is friendly to our house, a good friend of mine, always treats me very

nicely, and I have sold the bank three times. I had an experience a few months ago with this institution; being in town one morning to see an individual, I stopped in the bank the first thing and asked whether they were in the market, getting the answer that they didn't have any money. I made an offering of railway bonds on which we had reduced the price from 98 to 97; the cashier seemed to like them but was not very enthusiastic, for the reason, I presumed, that he claimed not to have the money. I found that they held a gas issue due in July of this year, and I suggested that they make a trade on those; the cashier seemed to think that a pretty good proposition, and asked if we could pay 100¼ for them. I saw a couple of the directors, one a customer of the house, then attended their board meeting. I didn't expect to get any business; the cashier called me in and asked me to make the offering of our bonds to their board, which I did, with the result that they gave me an order for five thousand for cash. I was down town after the board meeting and one of the directors came along and said "That was very good work of yours". I said, "Is that so, how do you mean"? He said, "We had made a purchase of five bonds from your competitor at last Tuesday's meet-

ing, and were just awaiting the confirmation of our order before we had them shipped from New York". This experience shows how changeable a board may be from one meeting until the next, and how necessary it is to be on the job when you have a trade pending.

Lots of times you will get a new name on an inquiry, a private investor who will have from thirty to fifty thousand dollars to invest, maybe only five or ten. You will get that business, and he probably will not have any other money for one, two or three years. Just because he is not going to have any more money, and just because he is not going to do additional business in the near future, it does not pay to let him get away from you. Call on him, keep in close touch with him, and know what he is doing. You cannot afford to give up his business and discontinue your calls, for a competitor is sure to get acquainted with your customer and benefit by your hard work.

Sometimes you will call on a man and he will tell you he hasn't any money to invest; you can sit down and talk with him along general lines and after a while he will say, "Go down and see Mr. So-and-So; he has some money", and he will probably allow you to use his name. In half the cases, he will make the call with you

and introduce you, say you represent a good house, that you handle good bonds, etc. Always ask him before you go to see this certain party whether he objects to his name being used. He will invariably say no.

I have one customer whose name was secured through a financial paper, by whom we were recommended very highly. This customer is a woman and had at that time about forty-five or fifty thousand dollars. A predecessor salesman of ours was the first to call on her and sold her twenty bonds on the first interview; she didn't have the money, but took them up within a reasonable time. I kept after her and also sold her. She will not have any more money now until some member of the family dies but fortunately she likes to make a trade, and if I have a good proposition I can generally work one out with her. It is not always necessary to make it a personal interview, either. A letter from the house followed by a telephone call the afternoon after she has gotten the letter generally brings the answer yes or no, and it has never been "no" in her case. In this case, the house was already favorably known to this prospective customer before our salesman called, but in order to "cinch" the future business, a general education developing her confidence in the house was necessary.

An institution which is only about two years old has proven to be a very good customer. A number of the fellows pass that institution by because it is so small; they called upon it at the first meeting and as they did not get any business they thought it was too small to bother with and a number of them haven't been back. We had originally had an inquiry from one of the directors who had heard favorably of our house, and he wrote in telling us that such and such a bank was going to buy the next week. I went to see the cashier and found only one other man on the job. I made a number of offerings to the cashier and it looked as though I would get their business,—between ten and twelve thousand dollars worth. That was on Friday; I followed that up by going to see the director who had written in to us and acquainted him with the facts of the offerings I had made to the cashier. They met at 7.30 on Monday morning, so I had to go out Sunday night. I went to Lancaster and left there the next morning on the 6.40 train, thinking of course I would be the only bond man on the train and that our house and the other one would divide the business. When I boarded the train I saw another salesman sitting there. I said "I guess we are going to the same place,

aren't we?" He said, "Yes". This bank is located in a town of a couple of hundred people and there were six other bond men and three adding machine men who were going to call on this institution; think of it, at 7.30 in the morning. We sat around for two and a half hours and by nine o'clock they were ready to hear the adding machine men. At ten o'clock they started to call the bond men and heard every one of the representatives of eight different banking houses. The business was finally divided between ourselves and one other house; we secured $6,000 worth of business and the other house $5,000. Just because an institution is small, it doesn't mean that it is not worth following. This is an easy town to reach and I can stop off between trains and spend an hour there very easily. I have sold that bank practically everything we have brought out in the last two years, if not for cash, on a trade. It is a nice little institution to count on for one or two thousand of everything, and they seem to appreciate the fact that I give them so much attention and always consider them on advance offerings.

When I was talking about not following up the business that you have already gotten, I wanted to bring out the fact that if you do not

follow it up some other man will profit by your hard work. I had my lesson by experience. It never pays to forget you have sold a party, because he will be of assistance to you in getting business at some future time. Whenever you are talking to a bank and they say they are not in the market, always ask them whether they have a customer who is in the market for securities or whether they have any customers who have been inquiring about investments. Always ask the cashier or president whether any of their customers are in the market for anything. They will often say, "Yes, So-and-So is in the market", in which case they will give you the address of the prospective customer, and of course you will refer the client to the cashier or president, should he want further information regarding our house or our securities. In cases of this kind, you do not very often make a mistake by offering the bank a commission; tell them also that you are depending on them for some of that class of business. It is not hard to get when it is once started.

In some cases you will find the purchase is not always up to the board to decide. I have another institution to which we have sold a great many bonds, and it took me a long while to find out that the cashier and the president

were the whole show. In other words, every time I had a new offering I would ask permission to present the same to their board, which request was usually granted, but never resulted in an order. I eventually found out the best time to get their business was just after the board had adjourned, and that it was necessary to see only the cashier and president, for they always passed on any purchases for the institution, and they did not seem to want their board to have any say as to what they should or should not buy. It seems the president is a controlling factor in the bank, he and his family having a controlling interest in the stock, but this is a fact which it took some time to find out.

I have another very valuable customer who has absolute confidence in our house and purchases everything from us. He also is very influential in the community where he lives and always refers his friends to us when they want advice on investments to us. Only the other day he gave me the name of one of his friends and I took an order from her subject to the approval of her brother whose funds she was investing. This shows the confidence she had in this man. Of course he showed his confidence in us by recommending our bonds.

In a lot of country towns you will find fellows who are not bond buyers, but are talkers. They can tell you the history of everybody in the town, who owns real estate, where he gets his money, how much he is worth, and all information of that kind. That fellow is not worth a rap as a customer, but he gives you a lot of information that is valuable, and he is worth keeping on your list.

You will find it well to study local market conditions in all your towns, for it means many a trade. You will run up against different bonds in different towns and if you know the market on the local issues you can come back at your man right away, with a trade proposition on such local holdings.

The first thing when you start out on the road is to feel that our house is the best and most careful house in the business in the selection of the securities they purchase and recommend to their clients. Confidence in our firm and the securities they give us to sell is absolutely essential, and without such confidence you cannot sell our bonds successfully. This confidence grows and grows, and the longer you are with the house the more confidence you will have.

*CHAPTER XII

THE PERSONAL SIDE OF SELLING

I am going to talk today on what we might call personality in the bond business. You men have listened to a great many important points. You have heard of the history of the development of the bond business, the organization of national banks, circulation, the national bank act has been explained to you, the recent postal savings bank act, the law governing trust company reserves, customs of the street, etc. All of this of course is vital to a bond salesman; it is the foundation stone on which you are going to build your future; there is no doubt about that. These technical details you will have to brush up on from time to time, because you will be asked every day of your lives some point or another that it would be a mistake for you not to know how to answer, and they have been practically all covered in this list we have here; I do not think Mr. Peirce has omitted any of the important things that a bond salesman should have at his fingers' ends, and where you are going to have

*See Introduction.

a big advantage is in having these lectures reported so that you can look over them from time to time. I think every few months you should brush up on these talks; I know I wish I had had this opportunity; at times like the present, when things are so dull, and there is practically no business, it would help lots and be great encouragement to read over these lectures, that one wouldn't find time to read at other times.

I said we were going to talk on the personal side of the business; I mean by this the handling of the man on the other side of the counter. All this information and learning will not do much good unless you are able to make the other man see it, and see it your way. I have never been a salesman for any other kind of a house than a banking house and for no house but ours, so I do not know much about other kinds of business, but I do know that a bond salesman is the highest type of all salesmen, just as the bond business ranks first in the business world; this is beyond any doubt. You are not selling wool, or coal or steel; you are selling credit, and you will find that your customers, you who have been selling merchandise, will take you much more into their confidence, talk to you more as they talk to their

lawyer or to the man who is advising them on business matters, and for that reason you have to know how to handle them right from the beginning; if you make a bad start it is pretty hard to "come back".

Selling in Philadelphia as I have done for the past five years, my experiences will of course be on city trade. I think Pennsylvania has been blessed with possibly the two hardest bond cities in the Union, from what I have experienced and from what I have heard, both however from different standpoints,—I mean Pittsburgh and Philadelphia. The Pittsburgher has made his money in a hurry and he is inclined to be more or less speculative. The mine owners and steel operators have had an easier time in Pittsburgh in floating their stock and bond issues than in a good many other large cities.

Philadelphia is just the opposite; it is probably the most conservative of all the cities. The rich men of Philadelphia are mostly from the so-called "old families", old Quaker stock, and they are buying bonds today from the same houses that their great grandfathers bought from. They are hard for that reason to wean away, but there is an obstacle in every city and an obstacle with every customer; so that it is not right to say, I suppose, that one city is

any harder than another or that you are up against a harder proposition than the other fellow is, because you can hear tales of woe from everywhere. I have heard men who have been selling bonds in the country among the farmers and in the small towns say that when they came to the city they found a great deal of trouble in their path; they would say that they could not get in long enough to talk to the investor. You will find among the big buyers here in Philadelphia sometimes seven or eight bond men in line waiting to see a customer. If you should see him he can't give you the time that the man in the country can give you; he is a busier man and is bothered more; so your competition in the city is keener than it is in the country; on the other hand, there are probably just as many obstacles to be encountered in the country, as the country men have told you.

In selling banks and insurance companies the first and most important thing in my mind, is to locate the man who is the "boss". There are bond salesmen in Philadelphia today that I know have been trying to sell certain institutions for at least two or three years; they have been calling on one man in the institution all of that time, and he has no more to do with the

buying of the bonds than you or I have. With a trust company the best man to start with is the treasurer, because if he is not the actual buyer he often has a great deal to say about the bank purchases. I remember one institution here in Philadelphia where I called on the treasurer for probably three or four months, and by drawing him out by a number of questions I finally discovered he was not the man at all. He was not willing to say that he was not the man, as he wanted me to think that he had as much to do with that institution as anybody else. After one or two leading questions, however, he mentioned one or two names that were connected with the institution and these men he said had something to do with the buying. So I immediately made for them and finally discovered that one of them who was very seldom at the bank did all the buying, and through him I sold probably more bonds than any other salesman has sold since to that institution.

I find that young institutions that are just starting out are really meat for the bond man. You want to get after them in a hurry. As soon as you hear of any new bank that is starting in business learn the names of the officials, find out who is putting up the money, and start

some missionary work around among those interested.

I remember a few years ago one of our trust companies just opening up, had a board of directors and officers that knew little or nothing about bonds. I started calling on them but they gave me no encouragement; finally we did get to talking securities, and they said "We won't buy anything here but railroad bonds; that is all we believe in and we think that is the best investment; we have heard so and so". I agreed with them that rails were a first-class investment; I told them that a great many of the banks held such securities. We had sold a great many of them, but at the same time they were also big buyers of public utility bonds. Our interviews often drifted along the line of the different public utility bonds that our house had sold; I mailed them a little data from time to time such as our last piece of literature for instance. The result was that two years after that bank started we sold them a block of fifteen corporation bonds; we have sold them $150,000 corporation bonds since then, as well as a number of "rails", but the pretty part of the story is that they hold no public service issues but ours.

You will often have an official of an institu-

tion tell you that there is no use in calling on them; they will try to get rid of you in so many ways. I have heard a number of bond salesmen refer to certain institutions as impossible to do business with, and they would not call there because so and so was on the board. I can only say that it is best to pay no attention at all to any remarks of that kind, because we have sold institutions securities right over the heads of the members of the board of directors. If you know that a bank is in the market for bonds never let them alone, no matter what they tell you.

I recall so vividly the second sale I made in the bond business. One institution in Philadelphia had bid on $50,000 City of Philadelphia bonds; it was printed in the papers and I knew they were unsuccessful bidders and didn't get the bonds. Mr. Peirce said, "There is a bank with $50,000; go after them". The next morning I was in the bank before the president arrived; I greeted him when he came in and he told me in a very gruff way they were not in the market at all. I reminded him of his bid. He said they wanted those city bonds but did not get them, and it was of no use to call, that there was no chance of doing any business; he was very gruff and very disagreeable. I had

only been in the business about four months, and it may be some encouragement to you to know that it took me over four months to make my second sale in the business. I came back and reported to the office. Mr. Peirce said, "They have the money; they are going to buy somewhere". I had found out he hadn't bought city bonds anywhere else, and that he wouldn't pay the price he would have to pay to get them. At the time we were able to offer him City of Altoona 4's, a very good Pennsylvania issue that would net him the return that he wanted, the return he would have secured had he gotten the City of Philadelphia bonds he bid on.

Early the next day I was down at the bank again before he came in; you must always have some pretty good excuse to give for coming back so soon; I had gotten some further data on this issue which I brought down and hoped that he would look over it; he wouldn't even take the paper from me; he said there was nothing to it, that he didn't want any bonds. I said, "Won't you take this article and when you have a spare moment look over it?". He threw it down on his desk. I wanted to sit down but I was afraid to. I came back and reported my second interview. Mr. Peirce said,

"Do you want to go back this afternoon or tomorrow morning?". I didn't want to go back at all. He said, "You have to go back". (This is all true, you will run across cases just like this.) I wouldn't have to be told to go back now.

The third day I went back again in the afternoon. I thought probably after dinner my friend the president might feel a little better. He was reading a letter. When he saw who it was he started to finish his letter. I simply sat there. After a while he said, "Didn't I tell you not to come up here again?". I said, "I am sorry, but I thought you would change your mind and read this data we have given you." I asked him if he didn't think the bonds were cheap; I tried to draw him out, but when I wanted to press him further he drew back into his shell again, and I had to come back to the office, with the result that I was chased back again the next morning. This time I waited outside on the steps and greeted old Mr. Grouch coming up. I took my hat off and put out my arm to shake hands—you can imagine how much he shook hands with me; I followed him right into the bank and waited until he got his hat and coat off. I said, "Mr. So-and-So, this is to be my last interview with you; these

bonds are practically sold and if you want them, now is the time, and if you do not, I won't come back again until we have something else; these bonds will be gone and I know I haven't anything else now that can touch them for quality and yield, and I may not have anything for some months; there is nothing on the street that can compare with them, and if you want them you had better take them. This is final". He looked at me and said, "How much did you say they were"? I told him. He said, "How many have you"? I told him. He said "I will take them". Well, I nearly dropped dead. I took out a slip and entered the amount so that he could sign the order he was giving; my instructions were to get orders signed; he looked at me. I said "I want you to sign this". He said, 'I never sign those things". I said, "It is a rule of our house that orders have to be signed". So he signed it.

Well, to make a long story short, within three months that fellow was digging down into his desk every time I came up there to show me something he had written in his boyhood days, some speeches he had made at graduation exercises or something of that kind. I couldn't get away from him, and when I was

leaving he would walk out to the door with me and shake hands with me with a fond farewell. If he happened to be going out he would say, "Wait, I will go down in the car with you". Now here was a man I myself would have let alone if I hadn't been urged by an insistent manager to go after him, and I think nineteen out of twenty bond men would have been like myself. But they are the men you will sell bonds to and make the best friends of. Haunt a man when you know he has money. Mr. Peirce more than I realized that he had the money and that somebody was bound to get it. Somebody had to get it and the man that could stick the longest was going to get it, and in this case he did.

Among your trust companies never forget that they have funds to invest from time to time for reserve purposes. They may not be buying bonds for their general investment account; they may be putting their money into mortgages or putting it out in building operations, but if they are going ahead, and the young institutions particularly are going to be forging ahead, they must invest their reserve, and so many bond men do not know that a bank has money for reserve purposes until an official calls up the house and says, "What have

you in the way of municipals"? You will lose quite a little business if you don't watch this. Make it a point to get the names of the members of the finance committee or directors. It is easy to look them up in the small towns; you can find out in a very short time who are the important ones; you will often find that a couple of the directors buy bonds themselves, and at the same time you are finding out who are the men at those board meetings that are influential when it comes to buying bonds. You can often make a good point for yourself by being close to them when they come to buy bonds for the institution.

The other day a banker telephoned in, the treasurer of an institution that we sell, and said "I want to buy a couple of bonds for one of the members of our board of directors". We confirmed the sale. He said, "Just send the bonds out to the bank". I knew the official pretty well, but I hadn't sold any of the directors before; I didn't know there were any bond buyers on the board. He gave me this one's name. Where you can, when a sale is made that way through the bank, do your best to find out the name of the man that the bonds are going to. As a rule the official will tell you; he will certainly tell you after you are close to him.

I think an experience I had with one of the big companies here will help you on the point of finding out who the right man in the institution is. The company was just forming; the president was well known in Philadelphia; they had temporary offices in one of our office buildings and the president was there every day. I called about five times in a week, but could never get beyond his private secretary. You want to cultivate the private secretary. This one was a very agreeable girl and after about the fifth interview I said, "Would you mind telling me whether Mr. So-and-So is ever going to see me"? She said "What do you want to see him about"? I said "I want to see him about buying securities for this new institution; they have a good bit of capital to invest and I would like to do some of the investing". She said "You are barking up the wrong tree". If I hadn't gone at her in that way I would probably still be chasing up this one particular individual, who was the only well known man in connection with the company, and I would probably never have gotten him; or he might have put me off by saying, "We are not buying just now".

The man who is not doing the buying often won't give the name of the man who is; he

knows he is bothered to death. In this case the girl was very friendly and told me to go down to a grocer a few squares away; she told me that he was going to have charge of the bond buying and that he would very likely be the treasurer. (Every day this girl turned me down I had made it a point to hang around and engaged her in conversation, with the result that I finally got this valuable information). I went down to see the grocer. He said "Who told you to come here"? I said "I want to sell you for the institution, and thought probably you wanted to buy some bonds yourself". I didn't imagine he was a bond buyer, but it doesn't hurt to flatter a man like that. He said, "What is your story"? I knew they were investing their capital and that it would be in municipal bonds. I had a lot of papers and data and sat down and started to talk to him. He went on attending to his grocery business, and I never let up except when he was talking on the 'phone. He finally turned to me and said "What you are telling me is going in one ear and out the other; go back and write me about that".

I wrote him that day. The next day I wrote him again. I called again and asked him if he had read my letters; he said he had but

they were not interested. I started something else; he told me the same thing "That is going in one ear and out the other; go back and write it." I kept that up for about five interviews. I finally asked him if he had any of those letters. He said, "I have a lot of stuff piled up here". As a rule the big investors will allow a lot of papers to accumulate and if you are not careful the whole business goes in the scrap basket. He said "You are not as obnoxious as some of these fellows, are you"? I said "I try not to be obnoxious". He was crude, and I was standing for it; I have stood for worse things since. Finally he brought some other fellow's offering out. He asked me if I knew anything about it. I thought "Well, that fellow's bonds have made a dent, and I think I ought to be able to do the same with some of our offerings". I compared the offerings with some offerings we had talked about, and the result was that he signed an order that afternoon for $25,000 of bonds.

We then sold him all told probably $125,000 bonds and I have sold him personally the only bonds he has ever bought in his life. There was the man who said "What you are telling me is going in one ear and out the other". I knew he had money; that was my cue; don't let up

on the man with cash. Be as nice and as gracious as you can, but don't be easy. If they won't talk about bonds, talk about something else. More bond men fall by the wayside—and I would like to have a dollar for every man that falls by the wayside in a year—more bond men fall by the wayside because they haven't the necessary push. When a buyer has the money, stick. You will usually get some of it, you are bound to get some of it. If you know he has it, keep after him every day. Of course, once in a while you will lose out.

I had an experience this week. A man had $5,000 to invest that I have been after for a month; he has been a month looking around. I offered him everything. We have sold him several times. One day late this week I learned he had invested his $5,000 with somebody else; I clung to him as long as I could, but he wanted a certain kind of bond and he had his ideas along certain lines, and we were not able to suit him at the time, and he came across an offering that he would have taken from anybody.

You will run across the same sort of obstacles in your path in handling the private individuals as you will in handling banks and institutions, and there from my own experience too I can tell you that if the private investor

has cash in bank to invest, stick to him no matter what he tells you or no matter what another bond man, who knows you are calling on him, may tell you. A buyer will say "I am sorry, but I have a nephew or son or brother or uncle or some relation in the business" or "I have a firm I have been doing business with for years and years." That obstacle should not be too big for you to surmount. If he has money to invest, stick close to him. The best example I have had of a case of that kind was that of a large private investor whose son, just out of college, was in the bond business. Another firm had taken this boy in knowing the father was a bond buyer and they knew he had bought bonds from us. They thought "Here is a chance to get that man's business from the other firms he does business with". I knew the son was in the business, but I kept after the father just the same. He said "I buy bonds from so and so, because my son is in the business, but what have you"? I sold him ten corporation bonds that day. Some time after that I called him up and his son, who was not at work that morning, answered the telephone. He said, "Who is this?" I heard his father in the room; I could hear him through the telephone asking who it was that wanted him. I

said "This is Mr. ———". He said "Oh, yes, I am sorry, but father is out of the market entirely", and hung up. That afternoon this investor came in to apologize to me for his son's rudeness in hanging up the telephone. He said he was not in the market, but later on, in about thirty or sixty days, he would be and would give me a chance. I think he bought twenty or twenty-five thousand bonds from us. Now his son is not in the business any more. What a mistake it would have been if I had not kept after him!

I claim that the only time that it is really impossible to get a man's money is when he hasn't any money to get, or anything you can trade out. Of course, there are certain obstacles you can't surmount, but it is best to go along on the assumption that you can surmount them all. Push right ahead. If it is only for five or ten bonds a year, that is something. Ask them if they know anybody in the market; get them to give you some names; ask them if they have a brother or relative that buys bonds. I have done that many a time and found out that another member of a family did some buying. I located a brother of an investor not long ago; I never knew he did any bond buying at all. He buys possibly $100,000

in different classes of securities every year; I thought his brother was the one who did all the business.

There are big buyers and little buyers. I think the little ones are of course well worth following. They will be your bread and butter not only in your early years but as long as you are in the bond business. Therefore keep right after the man who has one or two thousand dollars at a time, even though he may have money to invest only every eighteen months or two years; keep after him, but in doing so, do not forget to nurse the big men, the ones that look impossible. I can't lay too much stress on that. These are hard to secure, and it may take three years, four years, or five years, but when you have one of them he is worth all the effort you have expended to get him. Undoubtedly the rich man, who buys fifty or a hundred at a time, is hard to get; you will often leave his office and say "I can't do anything with that man; I am simply wasting time". I have often been tempted to cancel a name, but the fact that he was buying bonds all the time made it impossible for me to abandon him; I couldn't forget that another fellow was selling him big blocks of bonds. Some of these men I am selling now; some I

haven't made a bit of impression on. I have often asked myself, and I have had younger bond men ask me how I finally landed a certain big buyer. I have asked that question over and over again from bond men who wanted to talk. I very seldom volunteer any information myself, but I can't see that there is any harm in listening to the other fellow if he wants you to.

One man in particular told me four years ago that he had certain friends that he did business with and that there wasn't a chance of my getting any business from him. He was a conservative Philadelphian, and didn't know much about bonds; I could see that from the first talk with him. I knew there was no use in my offering him attractive opportunities because he would let them slip by and one of his friends would come in right after me and offer a security that was much poorer or the yield not as attractive, and yet that fellow would get his business. I knew it was of no use for me to always be hammering bonds at this man. I therefore started on tactics that I had carefully thought out. Around the beginning of the year I would drop in and wish him a Happy New Year; I would talk anything but bonds. Along in the spring I dropped in and referred to his

summer plans; he said he was going abroad. I wanted to know if there wasn't something I could do for him while he was abroad, anything he wanted attended to or any work he would like to have done. He got to be more or less agreeable, rather smiled at my presumption and said "I am sorry, but there is nothing at all". I told him I hoped he would have a very good time and that I would see him when he came back. When he came back we had just gotten up some sort of a brochure. I asked him if he would mind reading it and give me his opinion on it; I thought probably there were some points on it that weren't just as strong as they might be. Well, less than a year ago that man finally gave me an order for ten bonds. I have sold him now—I have been about five years working on him—I have sold him over a hundred thousand dollars of bonds, and the chances are now that he tells other young salesmen that he has certain men to do business with, and I am now one of those men. A plan like this often works out with the big buyers.

I remember an individual who was very disagreeable; he used to jolly a great deal and want to fool and put me off. He was going away, and I didn't want to be put off. He said,

"I am going out West in a private car; I have just invested all my money and am going away; it is a wonder some of you fellows wouldn't decorate my car with flowers and send some candy to the ladies that are going". I said "I am your man". He said "Send them along". I said "When does your train go"? He said "No, you don't". He saw that I meant it and said "I will call you up". I said, "Don't forget". The next day I called up to find if he was there, and I found he had gone. I saw one of the men in his office a couple of weeks after and asked him when Mr. So-and-So was going to return. The clerk, who had made a calendar note of it, said he would be back such and such a day the following week. I said "If I send down a dozen American Beauty roses will you promise not to tell who sent them, and put them on his desk"? He said "Surely". The day he arrived home the 'phone rang and I said, "Hello". He said "Is that you"? I said, "Yes". He said "This is me". He was getting very sociable. I said "Oh, yes, I am glad you are back". He said "What did you mean by sending those flowers down here"? I said "I don't know anything about any flowers". He said "If you don't take the credit, I shall think my stenographer put them there". He said,

"Come down and see me". I went down to see him and he gave me an order for $10,000, the first business I had done with him. Now, I don't advise bond men decorating their customers' desks with roses or lilies of the valley, but there are lots of opportunities of this character that come up which if you grasp will redound to your advantage every time. I never did that before and have never done just the same thing since. I had that one opportunity to get next to that fellow and I took advantage of it, and now he is a good friend of mine; he knows what our issues will do.

I always tell these hard customers "If you will only give us a chance, we will show you what a firm like ours can do for you". Tell them to give you one order, five or ten bonds only; if he is a big man tell him to take twenty-five. Never let a chance to get closer to these investors get by you. There are opportunities offered every day. I have no doubt that I miss hundreds of opportunities in a year; if I was just a little wider awake to conditions to take advantage of them I could probably get closer to more of these big men. The money is there and somebody has to get it. They are going to buy bonds with it. You have a hundred different issues on your list of all kinds of conserva-

tive securities. You can suit them one way or another. It is the man behind the issue, the man who is selling the issue that is making the sale. There is certainly no business where personality counts so much as it does in the bond business.

So keep hard after the big buyers. They are the ones you are the most apt to give up. The road looks blue along the line of the big investor, but it is worth all the work you do. I could go over my list of customers and if I were to take you around and introduce you to each one of them you would find that the ones that looked the hardest to you were my best customers.

There is a trust company that I call on that has a very close fisted president. This institution ranks high among the trust companies of Philadelphia in every way, the personnel of its board, the list of its investments and the increase in the number of depositors every year, and yet the president practically throws you out of the bank if you go up to see him. I know any number of bond men that won't go near the bank. They say "He can buy from somebody else; I am tempted to hit him". Whenever I go into his office I try to be just as courteous as I can. I never dared sit down in his

office; I think he would have lifted me up and put me out. He really is the most disagreeable man I ever had anything to do with. His right bower, the treasurer, is almost as disagreeable as the president. He had started in as office boy and had risen, and he is following in the footsteps of the old man. I was up against it hard. I used to see certain bond men go in and shake hands, and it used to make me sore. Some of them I felt didn't know any more about the business than I did. Finally I said to the president, "Now, look here; I don't mind as far as I personally am concerned being heeded as little as you heed me, but I do not think it is a compliment to one of the best banking houses in Philadelphia to not give them more consideration than you do. They have opportunities that lots of other houses don't have; they have issues of a character that lots of other houses don't have". I said "It is all right as far as I personally am concerned; I am not talking about myself, but you should at least give some consideration to a house as good as ours is". I was getting pretty hot under the collar. I had thought this little speech all out coming down in the car and I could hardly wait until I got to the bank to get it off.

He looked at me and said "Well, is that the way you feel about it"? I said "That is the truth of the whole matter; I have been feeling and thinking that way about it for some time". I said "Now, we have in stock a block of Southern Pacific Refunding 4's that should interest you. We have fifty bonds on hand at such and such a price. We can sell you at the market price, saving you the commission you would have to pay on the board. Now, please give this offering serious consideration". I came back to the office and found he had called up, had asked about these bonds and bought forty-five (five had been sold in the meantime) and the next time I called to see him he was mad because the five had been sold and he could not get the whole fifty. That man is a crab and he always will be a crab, but so long as I am getting business from him he can be as crabbed as he likes. That is what you are up against. These men who have made their own way, who have started out with nothing and have risen to be bond buyers by their own merit know what it is to earn a living; they know what the fight for money is, and they are the hardest ones to get to part with it, but the best in the world when you get them started. A lot of bond men don't realize that. They

don't seem to think that if they don't get this business somebody else is going to get it. Don't give up an investor who has a lot of money in bank to invest in bonds because he says "No, I don't want them; I am not interested" because some salesman is going to come along and get the money. It isn't a question of the quality of bonds, because you must remember you have every kind of conservative security that you could possibly have, unless a man wants to buy some mining stock or wild cat investment, and of course that is a different proposition.

I find a great many bond men are very much afraid to say the three little words "I don't know". I think this is particularly true of the green man. He is a little ashamed and thinks he ought to know. After several years you will find out how many things there are you don't know. If an investor begins to question you about some bond you are not up on, say "I can't answer that; I will have to look that up; I will let you know". And be sure you do let him know. Write him a letter about it. You have every source of information right here, look it up and write him. Remember that—don't be afraid to say "I don't know".

When times are dull you can do just as good

work by getting out among the investors and the people that you know buy bonds and getting better acquainted with them. Go in and talk to them about anything that they are interested in. Learn their hobby. For instance, one old fellow will be daffy about his grandchildren; talk to him about his grandchildren. If another is a baseball crank talk to him about baseball. Talk to them about anything at all while you know they are not investing; the other fellow isn't going to get the business and you are going to get closer to them against that time when they are again in the market. I met a well known broker on the street the other day; I said, "How are things"? He said "Don't you know"? I said "Are you selling any bonds"? He said "I called on three men yesterday; two laughed and the other got mad". I think if I went to see a number of my customers in this market and started to talk to them about bonds they would laugh at me. At the same time I feel I can do a great deal of good work by dropping in on them and not mentioning a word about bonds, simply talking about something else, and getting into an interesting conversation with them. It is the man you get to know intimately, not too intimately, but intimately in a business way, that

you are going to get your business from. When he is buying he is going to buy of you; you are the fellow he is going to call up; he will think of you when you are not thinking of him; and don't make him feel every time you go in his office "I have got to get rid of that fellow the easiest way I can". It is much better if he will give you a slap on the back and say sit down, and talk about some other subject. Get around when business is bad.

I said "Don't get too intimate". I think this is more general among a certain class of salesmen than among bond salesmen, although a good many bond salesmen have a tendency to want to ingratiate themselves too much with the investor; they want to get too friendly with him, get to where they can call him Tom, Dick or Harry; they want to be personal friends. That is bad, generally speaking. I had a man today say to me "I can't count on my friends for anything". He said "I have to go outside to get business; I can't count on my friends". You know that as well as I do. Your friends aren't the ones you are going to do business with. This rule works both ways. It is just as difficult to do business with customers if you make intimate friends of them; you will be on the wrong basis with them, and they will be

sooner or later buying bonds from the fellow that doesn't call them Tom, Dick or Harry. I think we could almost make it a rule that a bond man should not in any case get too close to the man he is doing business with, that is too intimate.

Sometimes a man will tell you that he buys mortgages or you will be told that he is a mortgage buyer, and that there is no good of calling on him to sell bonds. Sometimes he buys mortgages because he does not know what bonds are. It is up to the bond salesman to show the investor that a bond is secured by a mortgage on property in the same manner that a real estate mortgage is. Show him that it is a great deal better for him to have a piece of a valuable mortgage, which a bond is, on a property that is large and whose earnings come from many different sources, than to have a mortgage on a house. Take for instance in a steam railroad issue or in an electric railway and power issue, there is a great deal more than franchise and the rails. There is valuable private right of way, valuable real estate and so on. It would have to be a great disaster that would affect the value of a property secured as are the high grade steam railroad issues, whereas it sometimes takes very little in the

case of a mortgage on a piece of real estate to affect its value. I heard of a case this week. An institution through one of its directors had been carrying along a residence property for some years in Omaha; it had been depreciating in value every year, until now it had gotten to be in one of the poorest localities of the city. The other day he told me he didn't know what had become of it until a few days after the recent tornado one of their representatives had written him that he was sorry but their house had been carried away by the high winds. A great many pros and cons can be brought into an argument of this kind. There are pictures you can paint in a general way showing these customers that a bond is nothing more nor less than a mortgage on a great many properties. Another argument for the man who buys mortgages is to turn to the tables showing the list of investments of the savings banks, the national banks and the institutions of the city or country town that you are working. This will show a great percentage of bonds owned over real estate mortgages. There is no excuse for not being able to get a buyer away from mortgages in a great many cases.

Another point; don't tell the investor too much. The average investor doesn't know and

never will know as much about investments as the average bond man; they don't know the inside workings and they are not familiar with the technical questions and points that are brought up from time to time, and if you try to tell them too much you will get them all worked up about things they have no need to think of. Cram in as much knowledge as you can, but keep that for yourself. Paint pictures. More sales have been made by a salesman painting a good picture around the issue that he wanted to sell than in any other way. The fewer details you tell the investor the more chance you have of making a sale.

There never was an ideal bond, you know; you cannot expect a perfect bond. There is always something, some argument, a crank will bring forward. I think if I were to offer some of my customers U. S. Government bonds on a 5% basis they would find some fault; they would probably think we were going to war with Japan or trump up some excuse to get rid of me. Always give them your strong points, and make the picture as pretty as you can. Of course there are questions which your customers will ask you that you should know and should be in a position to answer.

Loyalty to the house above all. The great-

est compliment that an investor ever pays me is when he turns around in his chair and says "You certainly stick up for your firm, don't you"? I believe in our firm; I believe in the manner in which things are run around here. I have experienced many things which have proved to me more and more just what kind of a house it is that I am working for. Our firm have been fair and square with their customers, with their men, and with the institutions that buy their bonds, and I am proud to work for them and to have people know it.

CHAPTER XIII

ADVERTISING AND ADVERTISING DEVICES

Unquestionably the best public vehicle for bond advertising is the daily papers. Special editions, trade papers, programmes and professional and religious periodicals are almost valueless. An advertisement to pull must first catch the eye, then lead the reader on through its entire text and finally create in him a desire for something expressed by it. For this reason standing cards are less effective than copy that is changed regularly. In fact they have little value at all for general publicity for an habitual reader becomes so used to seeing them that they do not even challenge his attention. Copy that is attractively set up and at the same time may be read with the least visual effort is better than more space devoted to a mass of black ink. A hodgepodge of type and the featuring of a multiplicity of points are not only bad taste, but they spoil the appearance of the advertisement and cheapen it considerably. Type that is fancy but hard to read loses part of its value. The wording should be brief and to the point; otherwise the attention will wan-

der and be lost. There is ample room for taste and individuality in the composition of a good advertisement.

Blind ads, that is ones that conceal the primary facts of the article offered, pull better than open ones, and ads that offer to give something away pull best of all for the instinct to get something for nothing is ever present. Spasmodic displays do not have the same effect as the persistent and frequently recurring use of smaller space. Some years ago the writer was criticised as being unconventional by some members of the old school on account of using live copy and changing it periodically instead of confining himself to the established business card, but apparently by now nearly all of the old school must have passed away or else become rejuvenated for the latter style of advertisement is seldom used now except as a rate holder.

Does advertising pay? Yes and no. Long lists of securities owned and special display offerings of new issues produce few inquiries. In fact, it is doubtful if on the average they bring in enough business to pay for their cost, but if a house maintains an active selling force the general publicity and the atmosphere created are worth a great deal. Otherwise ad-

vertising is only of value for the inquiries it produces, for it does not directly sell bonds, and these inquiries yield no return unless followed up. Inquiries cost anywhere from two to twenty dollars apiece. On the basis of traceable results they seldom pay for themselves in the first instance, but must be credited with subsequent business in order to compensate for their original cost.

For this reason periodicals of a national character are hardly a profitable medium for financial advertising unless the advertiser has an organization that is more than local in scope, and is sufficiently broad in field of operation to permit personal attention by salesmen to the inquiries as they are received. Magazine inquiries cost anywhere from twenty to fifty dollars each, and are a pretty expensive luxury unless their full benefit is extracted from them.

An inquiry is a good deal like a pig in a poke in that its real value cannot be determined from the way it sounds. The one that reads best may be actuated only by curiosity, while another that appears trivial may contain latent possibilities out of the ordinary. For this reason more than usual care is required to handle such leads properly. An incapable salesman

may not get anything out of them while another man may find them productive of much business. The prospect who writes in for information is generally approachable but nevertheless on the defensive on account of the house being a stranger to him, so that confidence has first to be established. Frequently no transaction results the first time, but if the lead appears to be a good one and is carefully cultivated, the salesman may be rewarded with an order the next time the prospect is in funds. If one salesman falls down on an inquiry and gets nothing out of it, his work can be checked by turning it over to a second man for handling, particularly if the first effort fails to locate the prospect as sometimes happens. The law of averages holds good here as in every other phase of the business, and out of every so many leads, regardless of their nature, it is pretty sure that a certain percentage will produce enough results to more than compensate for the time and attention required to handle all of them properly.

General publicity is of great value in that it paves the way for personal salesmanship. When a salesman calls on a prospect for the first time the ice is broken more readily if the latter says "Oh yes, I know your house", even

though as a matter of fact he probably does not know a thing about it except that its name is familiar to him through an impression that is stamped upon his brain. A curious illustration of this occurred one time and will bear repeating. A salesman called upon a new prospect in response to an inquiry and found him a cripple bedridden for years. A sale was consummated, and then the salesman said "If you will pardon me, I am curious to know what induced you to write to us". The customer replied "Well it was this way. I had a little money to invest and didn't know what to do with it so by chance held up the financial page of the morning paper, and asked the nurse here what house she would write to of those that advertised. She hesitated a moment and then said 'Why to that one, pointing to your advertisement.' This confirmed my own impression and so I wrote to you". Thus was the call of dignified copy and neat composition answered.

Better than any kind of periodical or newspaper advertising is direct appeal by mail. This may be by personal communications, form letters, printed flyers or circulars. Of these, individual typewritten letters yield the largest percentage of results but are not susceptible of wholesale application simply be-

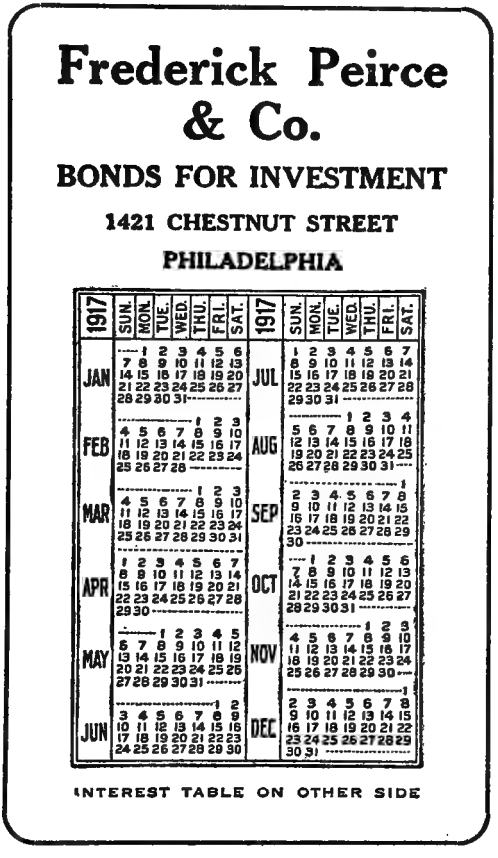
cause enough bonds cannot be sold by mail to pay for the cost of maintaining a force of men competent to conduct a correspondence department that is capable of giving intelligent and individual written advice to thousands of different people. Form letters are the best substitute but these quickly become stereotyped in expression unless great care is exercised to give them originality and variety. From the standpoint of quantity rather than quality printed circulars and flyers take the lead. These all are superior to display advertising, for both results and general publicity but even here the returns are usually disappointing for the replies seldom equal one half of one per cent. of the number of pieces mailed. Direct appeal is of value simply to lay the foundation for the salesmen, but then there is always the chance of getting an order that will more than pay for the cost of the entire advertising campaign as happened recently when the writer made a sale by circular to a customer whom he had never seen or dealt with before, and the profit on this one transaction was calculated in four figures. Of course, things of this kind do not happen very often but they are the bait that leads one on to advertising extravagances.

To secure the greatest returns in proportion

to the expenditure, direct appeal should reach the greatest number of people at the smaller cost per piece. The so-called novelties have little advertising value in the bond business. It is doubtful if an inkstand or a cigar lighter, or a blotter ever produced an order, whether it cost fifty cents or four dollars. A souvenir should be relevant to the business. Furthermore it should be so inexpensive that it can be distributed in large quantities. Some houses make a practice of giving to their best customers articles that are comparatively expensive as advertising things go. As a business proposition, if a man is already a good customer, will he produce anything more in the way of orders if given something he probably doesn't need, at a cost of a dollar or two to the donor? Isn't it more logical to go after those who are not yet customers, but who aggregate many times the number who are?

The writer has always gone on the theory that instead of giving away say five hundred articles at a cost of one dollar each, to people who are already customers it is better to distribute ten thousand at a cost of five cents each to the people whose patronage is desired as well as to those already on the books. This theory was put into practice some years ago

and has since been consistently followed in the distribution of a celluloid Calendar and Bond



Interest Table which he originated and of which a copy is here given. Before this was devised, every interest table with which he was

familiar, consisted of at least six pages, and was convenient neither for reference nor to

BOND INTEREST TABLE

Exclude day of delivery and to the interest for the full month or months, add the interest for the remaining days. Calculate 30 days to the month and 360 days to the year.

INTEREST ON $1000 FROM 1 DAY TO 5 MONTHS

Days	3½%	4%	4½%	5%	6%	7%
1	$0.0972	$0.1111	$0.125	$0.1389	$0.1667	$0.1944
2	0.1944	0.2222	0.250	0.2778	0.3333	0.3889
3	0.2916	0.3333	0.375	0.4167	0.5000	0.5833
4	0.3889	0.4444	0.500	0.5556	0.6667	0.7778
5	0.4861	0.5555	0.625	0.6944	0.8333	0.9722
6	0.5833	0.6667	0.750	0.8333	1.0000	1.1667
7	0.6805	0.7778	0.875	0.9722	1.1667	1.3611
8	0.7778	0.8889	1.000	1.1111	1.3333	1.5555
9	0.8750	1.0000	1.125	1.2500	1.5000	1.7500
10	0.9722	1.1111	1.250	1.3889	1.6667	1.9444
11	1.0694	1.2222	1.375	1.5278	1.8333	2.1389
12	1.1667	1.3333	1.500	1.6667	2.0000	2.3333
13	1.2639	1.4444	1.625	1.8055	2.1667	2.5278
14	1.3611	1.5555	1.750	1.9444	2.3333	2.7222
15	1.4583	1.6667	1.875	2.0833	2.5000	2.9167
16	1.5555	1.7778	2.000	2.2222	2.6667	3.1111
17	1.6528	1.8889	2.125	2.3611	2.8333	3.3055
18	1.7500	2.0000	2.250	2.5000	3.0000	3.5000
19	1.8472	2.1111	2.375	2.6389	3.1667	3.6944
20	1.9444	2.2222	2.500	2.7778	3.3333	3.8889
21	2.0417	2.3333	2.625	2.9167	3.5000	4.0833
22	2.1389	2.4444	2.750	3.0555	3.6667	4.2778
23	2.2361	2.5555	2.875	3.1944	3.8333	4.4722
24	2.3333	2.6667	3.000	3.3333	4.0000	4.6667
25	2.4305	2.7778	3.125	3.4722	4.1667	4.8611
26	2.5278	2.8889	3.250	3.6111	4.3333	5.0555
27	2.6250	3.0000	3.375	3.7500	4.5000	5.2500
28	2.7222	3.1111	3.500	3.8889	4.6667	5.4444
29	2.8194	3.2222	3.625	4.0278	4.8333	5.6389
30	2.9167	3.3333	3.750	4.1667	5.0000	5.8333
1 Mo	2.9167	3.3333	3.750	4.1667	5.0000	5.8333
2 Mos	5.8333	6.6667	7.500	8.3333	10.0000	11.6667
3 "	8.7500	10.0000	11.250	12.5000	15.0000	17.5000
4 "	11.6667	13.3333	15.000	16.6667	20.0000	23.3333
5 "	14.5833	16.6667	18.750	20.8333	25.0000	29.1667

carry. This souvenir is pertinent to the business, it costs about one and one-half cents per copy and accompanied by a return post card,

is productive of much valuable information. The table, the return card, the container envelope, and the stamped envelope enclosing them cost all told about three and one half cents per set. Notwithstanding the very nominal cost, this annual souvenir is the most popular financial advertising dodge ever originated by the writer, and it takes just as well today as it did ten years ago. In fact it is so popular that it is copied by competing houses, notwithstanding every effort upon the part of its originator to prevent it.

Another case will serve to further illustrate the point. Some time ago the writer wanted to test out a large list of new names to find which were bondbuyers. He therefore wrote a little booklet of financial epigrams under the caption "Fifty Financial Facts". (See Chapter XIV.) This consisted of twelve pages and cover. The printer was instructed that it should not cost over one and one-half cents per copy and together with a long return card and a Government No. 8 stamped one-cent envelope should weigh less than one ounce. The specifications were met, the entire cost was just three cents per copy including the card, envelope and postage, and some fifty thousand booklets were mailed out with excellent results in the way

both of the desired checking and of general publicity.

More or less pertinent to the topics discussed in this chapter is the subject of a "follow up system". The writer has been asked repeatedly what system he used to follow up the work of the salesmen. His reply always was that he had never been able to devise a satisfactory system and had never found any one who had done so. While every well organized bond firm has one or more methods of trying to keep in touch with its customers and prospects, there is no substitute for personal contact. The salesman must follow up the customer, and the office must follow up the salesman. No one house can get all the business, or there would be only one house in business and such a condition never has and never will exist.

CHAPTER XIV

FIFTY FINANCIAL FACTS

In 1915 the writer prepared, under the above caption, a booklet "For the Inquiring Investor". The purpose and use of this were outlined in the previous chapter (XIII), and here it may not be amiss to give the text, which except for the omission of a graphic chart of investments, is as follows:

FOREWORD

COMMENT has been made that the usual financial presentation is understandable only to the relatively small number of people who make a study of scientific investment; and that banking houses should appeal to the general public or the great body of investors, in direct and simple language, free from technical expressions. It has, therefore, occurred to the writer that the exposition in clear, concise epigram, of some of the salient features of successful investing, would prove of service to those who are uncertain which way to turn, and are fearful of making a misstep.

This pamphlet is consequently two-fold in purpose:—(1) to present in crystallized form some homely philosophy, familiar to all, but too

frequently forgotten when parting with one's money; and (2) to explain in untechnical language some of the more important technicalities of bond buying.

The thoughts herein expressed are the result of some years of very practical experience in the analysis and sale of securities and particularly in the study of thousands of cases of investing—successful and unsuccessful—that have come to the writer's attention.

May these epigrams bring to a focus some of the more important truths expounded in detail in that vast store of financial literature which is within the reach of everyone but seldom read by the man who works hard to earn his money and yet does not take the time to study how to conserve it.

FIFTY FINANCIAL FACTS

1

Know your banker

For he who puts his faith in a dependable banker need fear no rainy day.

2

As the oak grows from the acorn, so the dollar saved is the seed of the thousand dollar bond

For the real bond buyers of the Nation are the thrifty rather than the rich.

3

And no sum is too small to require good advice

For the small buyer of to-day is the large buyer of to-morrow.

4

Put not your trust in him who promises both safety and large profit

For no dollar can do two kinds of work at once.

5

A safe first mortgage by any other name would be as good and a bad security is not bettered by a good title

For bonds, like men, are valued by character, not by name.

6

The shrewd man does not put all his profits back into his own business

For in times of stress an anchor to windward may save the ship.

7

Beware of any security whose safety depends upon good management alone

For it is human to err and the personal equation has no property value.

8

The home investment is frequently a false idol

For while a prophet is not without honor save in his own country, wealth goes by contraries, and familiarity invites overvaluation.

9

Likewise he is foolish who invests too large a part of his savings in one community

For the fall of even a strong basket may break all the eggs in it, and good baskets are more abundant than good eggs.

10

The individual adviser is usually an egoist

For he advances his own theory of what is.

11

While the investment house is a composite altruist

For it employs the experience and judgment of the crystallized organization and the ego is subordinated to fact.

12

No one man possesses requisite knowledge and experience to pass upon all the features of a large financial transaction

For the proper protection of the investor requires the co-operation of banker, lawyer, engineer, accountant and business expert.

13

Consequently he who would invest with certainty should seek those who are competent to advise him

For the safety of a structure is not determined from the man who photographs it when completed, but from those who pass upon the materials and workmanship that go into it.

14

He, who, on his own responsibility, takes a real estate mortgage in preference to a bond flatters his own judgment

For he assumes a business risk in order to match his individual opinion against the combined knowledge and experience of a staff of experts.

15

A dollar safely invested is worth more than ten thousand that have been lost

For in financial matters experience is a teacher whose lessons are not worth their cost.

16

The intrinsic worth of a security is of more importance than the color of its ink

For some bonds are donkeys in lions' skins, while others that do not put on such a bold front have the backbone that endures.

17

Each generation has its Mississippi Bubble

For man loves the spectacular, and the lure of gold dims the oft-learned lessons of experience.

18

But those who are conservative are not attracted by false prophets

For the reliable banking house is like unto the ship that has weathered many a storm and carried its passengers to safety.

19

Buy not a guarantee but look to the intrinsic worth of a security

For the strong man needs no crutches, and the lame man, even with the best of crutches, is a poor traveling companion.

20

Be not fooled by the house that agrees to "buy back at the price paid"

For even as King Canute was powerless to stem the tide, the "buy back" houses are sooner or later swamped by the flood of their own securities, and the agreements to buy back are washed away in the deluge.

21

A safe house does not use unsafe methods, and an organization that is unsafe in one thing is usually unsafe in others

For when one weak link is visible in a chain, others may be concealed and the banking house to be safe as a whole must be safe in all its parts.

22

Rely on the house that makes an honest and real market for its securities

For when bonds are properly placed, the law of supply and demand, which governs all prices, tends under normal conditions to maintain its equilibrium.

23

Listing a bond does not in itself create a ready market

For there must be a buyer for every seller and a seller for every buyer.

24

Far more important than listing, is it to have a security well distributed in the beginning

For listing merely affords an additional opportunity for a previously created buyer and a previously created seller to trade.

25

Likewise the Stock Exchange is not the real market for bonds

For against every one sold on the Exchange a thousand are sold outside.

26

Also the man who buys a listed bond usually pays for the pleasure of seeing it quoted

For the greater the demand for a given issue, the higher becomes its market price.

27

And if a bond investment must be quickly negotiable under all conditions, that privilege is

purchased at the expense of either safety or yield

For any security can possess the maximum of but two of the three factors of safety, yield and marketability, and the remaining factor is lessened thereby.

28

To analyze correctly the earnings statement of a holding company, add together the net earnings of all the subsidiaries, and against the resulting amount, offset the total fixed charges of both subsidiaries and parent

For many a weak corporation makes a strong earnings statement to sell its junior securities by featuring merely the surplus income available therefor.

29

And a disingenuous statement needs more than ordinary scrutiny

For if a company does not earn a comfortable margin above all its fixed charges, its bonds are not without risk.

30

Some industrial or manufacturing company bonds are safe

For there is some good in everything.

31

But such securities as a class are speculative in character, and suitable only for the man who can take a business risk

For the earnings of industrials fluctuate widely with business conditions, and the margin of safety is uncertain.

32

While well selected public utility bonds possess an unusual degree of stability

For they are the obligations of companies supplying public necessities such as gas, water, electricity and transportation, for which the demand increases with the growth of population and assures a constant and increasing earning power.

33

The man who says "I buy only municipals" or "I buy only railroad bonds" reasons from a false premise

For there is good and there is bad in everything and no one class of securities has a monopoly of virtue.

34

But he who buys the best of the municipals, the best of the rails and the best of the public utilities is farsighted

For he selects the safest bonds of each investment class and shuns the rest.

35

From a pecuniary standpoint, he is a wise investor who is not scared into buying municipal bonds on account of the Income Tax

For the Sur-tax is almost negligible in its effect on income yield, and safe corporation bonds can be bought to return so much more than safe tax exempt municipals that the difference in annual income will pay the amount of the tax several times over.

36

In dealing with an investment banker, the buyer who candidly states his position, and frankly admits his inexperience fares well

For his adviser feels morally bound to give the best of advice and service.

37

And the buyer who is well informed usually fares well

For he can take care of himself.

38

But the man who does not know anything yet pretends that he does, usually rides for a fall

For he is unwilling to take anyone's advice, but insists upon buying whatever his inexperienced judgment may light upon.

39

The difference between "cost price" and "selling price" is not all profit to the banker

For every bond issue that is brought out has to pay the expenses of ten that have been investigated and rejected.

40

Consequently it pays to deal only with the best houses

For bonds, like pearls, require experts to appraise them.

41

And the bargain hunter in securities is like the man who carries his own fire insurance

For he takes a risk rather than pay a small premium for protection.

42

When a corporation is constructed like a pyramid, with one dead weight upon another, it is advisable to keep at a safe distance

For the laws of gravity apply to finance, and if a structure is top-heavy, it will fall.

43

But if you must invest in a pyramid, see that your stones are at the bottom of the pile

For they will be least disturbed by the collapse of the superstructure.

44

When a producer is his own selling agent, let the buyer beware

For under such circumstances one can not count upon disinterested advice.

45

But the investment bankers who do not promote enterprises are the safe leaders

For they can be impartial in their examinations, purchases and recommendations, and there is no necessity for them to raise capital for a company when their judgment deems otherwise.

46

The man who subordinates the thought of prompt and safe investment to an ambition to buy at the bottom and sell at the top, usually comes out the loser by buying at the top and selling at the bottom

For he makes mountains out of molehills, and molehills out of mountains, with the result that his vision becomes blurred and he loses all sense of proportion.

47

But the man who takes advantage of the opportunities of the moment and invests safely and wisely without worrying about the future of the market usually fares well

For he enjoys peace of mind, while the law of average secures to him a fair return on his money.

48

For the ordinary person or the one dependent upon his income, stocks are an uncertain form of investment

For their dividends depend upon surplus earnings, and during times of depressed business may be reduced or passed entirely, while bond interest is a fixed charge and a first lien on the operating income of a company.

49

Buying from a "friend" or "relative in the business" is frequently an expensive policy

For customary business caution and ordinary conservatism are unwittingly sacrificed to blind faith and favoritism.

50

Finally, if you are interested in sound investments for investment's sake, if you want judicious and candid advice, if you want the benefit of high ideals and long experience, if you want the protection of thorough examination and competent experts, if everything considered, you want the Most Satisfactory Bonds

Deal with the house that is in business for more than a day, that is actuated by a sense of high moral responsibility towards its customers, and that tries to give a full dollar of value for every dollar received.

CHAPTER XV

TENDENCIES OF THE BUSINESS

The bond business has been undergoing a radical change for some years. With the enormous increase in the number of investors of moderate means, the old idea that the investment banker had to stand on his dignity and wait for customers to seek his advice and wares has given place to an aggressive contest for business, and the distributing houses that have not kept pace with the times have ceased to be an important factor in the marketing of securities. Many of the old line customers have passed away and the ones who have taken their places are on the average of much smaller financial calibre. The volume of business has grown by leaps and bounds and the number of individual buyers has multiplied many fold but the average sales are constantly getting smaller and smaller. A clientele of this character is much more dependable but it necessitates larger and better trained organizations, greater efficiency of management and a more uniform and higher type of investment service.

Competition for customers, and competition

for bonds to sell, together with a broader appreciation of the various classes of securities, have reduced the gross profits to a point where the largest retail houses, handling a volume of business represented by nine figures, are fortunate if they can average much over one per cent. of the par value. Statistics of this sort are not available for comparison but it may be assumed that in normal times anywhere from fifty to seventy-five per cent. of the profit is consumed in operating expenses. In years of poor business, which come periodically and almost with regularity, the surplus above expenses is generally reduced considerably and sometimes wiped out entirely. At such times too, heavy shrinkages are entailed in the prices of securities on hand, and these may have to be charged off against surplus profits carried over from previous years for the bond house does not buy its issues for permanent investment but for resale in accordance with prevailing market conditions and its losses are actual instead of on paper, as is the case with a fiduciary institution which can continue to hold its investments until the market again recovers on them. For these reasons the average profits of the true type of distributing bond house are comparatively small, and entirely out of pro-

portion to the capital and organization employed and the risk entailed. In fact, it has been repeatedly stated, that there is no money in the bond business. It is true that industrial businesses periodically pass through very critical times, but when the opposite holds good they more than make up for it by earning abnormal profits. Very few fortunes have ever been made in the direct retailing of securities.

It is an unfortunate result of this condition that the temptation is ever present to undertake the financing of industrial combinations and the promotion of new enterprises. The more conservative firms endeavor to steer clear of operations of this sort else they sooner or later suffer sad experiences, while the so-called promotion houses, which travel an entirely different road, are more oblivious to the permanent safety of the issues they market and sometimes leave a trail of grief behind them.

Large selling organizations are becoming the rule of the day, and branch offices have largely taken the place of correspondents. Such organizations have one very serious drawback, namely their inability to adapt themselves readily to the constant changes in the supply of and the demand for securities. When business is dull, that is when the market

is apathetic, and it is easier to buy than to sell, and profits are eaten up by expenses, the overhead cannot be reduced by cutting down the size of the organization as in an industrial plant, for it is so difficult and expensive to build up an effective sales force that it would be suicidal to impair it; and when the market is hungry and the salesmen are working at high pitch the buying department is hard pressed to get suitable goods to sell so that in the endeavor to find enough fuel to keep the machine running there is the risk of standards being let down and inferior securities creeping in.

As an illustration of the tendency of the times, one ambitious concern is reaching out in all directions with the apparent purpose of trying to annex all the investors in sight. However, the bond business cannot be run on the plan of a chain of cigar stores, of corner groceries, or of five and ten cent stores, where the selling is merely ordertaking and the authority all comes from one central bureau and the direction of the agencies is a matter of routine, and in accordance with a cut and dried system. To sell securities successfully through a large organization, every branch manager must be a sales manager, he must create a local atmosphere and be able to secure the confi-

dence of the people with whom he comes in contact, giving to his work the same devotion as if it were his own business, and he must have sufficient latitude and authority to develop his field according to his own originality and ability. Men of this type are rare, and rarer still is the man who has the personality and is competent to handle a group of such sales managers without friction, to keep them pulling together in the fullest unity and to maintain the numerous branches in complete coordination and at their maximum efficiency. No other business is more sensitive to competent or incompetent management, and so long as the demand for men with the highest executive qualifications is greater than the supply, just as long will monopoly fail and the right to "live and let live" endure. When an organization becomes too large, the personal equation is lost sight of, the supply of suitable securities it can obtain is too limited to ensure the proper protection for its customers, the interests of the individual buyer are subordinated, and the investment service rendered is of a superficial and mechanical nature so that the concern becomes merely an impersonal machine. For these reasons there need never be any fear of a devouring octopus in the bond business.

In the general financial scheme so long as there are men of ability who prefer to maintain their individuality and there are people who want sound advice, there will be many firms catering to the investment needs of the public and supplying the quality of service which thus can best be given. As stated before, the bond business is a profession and is based just as much upon the personal relation of adviser and client as is law or medicine. The buyer of securities, as a rule, has to accept the word of the seller, and confidence therefore is the keynote. The service is individual and the recommendations of the adviser must be adapted to the requirements of the client, else they are without value. When a firm is independent and can make its selection from all the bonds available at a given time regardless of who produces them, instead of being under constant necessity to originate enough issues of its own to keep a large organization employed, it is in a position to combine with real personal service the widest range and the best choice of securities the market affords.

Thus, only when the personal relation of adviser and client is developed to the maximum is the highest function of the bond house fulfilled.

CHAPTER XVI

CONCLUSION

In this day of keen competition, one might well wonder at the disclosure so freely made of business secrets, and of the knowledge and experience gained by long years of persistent effort. The answer is that nowhere does the personal equation enter more largely than in the bond business and as one artist cannot execute another's conception so each person must originate his own particular system and carry it to a successful conclusion. It is not expected, therefore, that the ideas and incidents, portrayed in the previous chapters, can be used in the exact form in which presented, but it is hoped that they will not only be of some immediate practical value but will stimulate the further development of new methods, adaptable to this and other lines of activity.

Throughout this discussion, one commanding fact should be clearly evident—that after all success is due to individual and not material factors, and is determined solely by the measure of the man; so if this book serves no other purpose than to be an encouragement to young men, and to spur some of them on to victory, the writer will feel more than compensated for all the time and thought he has devoted to it.

DEPENDABLE ADVICE IS THE
KEYNOTE OF SAFE INVESTING

Frederick Peirce & Co.

BONDS FOR INVESTMENT

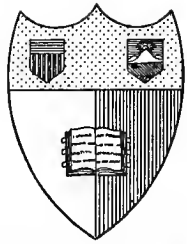
1421 CHESTNUT STREET

PHILADELPHIA

INQUIRIES INVITED

SALESMANSHIP

By WILLIAM MAXWELL



Cornell University Library

Ithaca, New York

BOUGHT WITH THE INCOME OF THE

SAGE ENDOWMENT FUND

THE GIFT OF

HENRY W. SAGE

1891

Cornell University Library
arV13369
Salesmanship,
3 1924 031 216 074
olin,anx

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924031216074

SALESMANSHIP

SALESMANSHIP

BY

WILLIAM MAXWELL

BOSTON AND NEW YORK
HOUGHTON MIFFLIN COMPANY
The Riverside Press Cambridge
1914

COPYRIGHT, 1913 AND 1914, BY P. F. COLLIER & SON, INCOR.
COPYRIGHT, 1914, BY WILLIAM MAXWELL

ALL RIGHTS RESERVED

Published September 1914

CONTENTS

I. Rule-of-Thumb Science 1
II. Over-the-Counter Sales 46
III. "Anything Else To-day?" 74
IV. Just Looking 100
V. Buying 130
VI. Getting your Money 159
VII. Credit-Making 191
VIII. The Management of Traveling Men 210

These papers made their first appearance in *Collier's Weekly*, but have since been revised.

SALESMANSHIP

I

RULE-OF-THUMB SCIENCE

If one average man, fifty years old, could and would tell the truth about himself, we should have a priceless textbook on life.

The other day I sat beside a man in the library car of a twenty-hour New York to Chicago railway train. Faintly, like the outline of year-old furrows in a fallow field, there lay upon his face the traces of a fast-lived youth. Discretion had checked and right living in part repaid youth's borrowings from old age. He had funded and underwritten the debt of his youth. He held the shares himself and was paying to himself a yearly dividend upon a capitalized deficit of wasted brain and body.

If this man told the whole truth about himself, it would be a story worth hearing, for it would convert to the convincing coin of experience that vague debt to self and society which

our elders seek to define by general and impersonal precept.

Convince this man of the real value to others of his experience and I have little doubt that he would attempt a true narrative of it. He is fine enough for that. But I am sure he could not tell the real truth about himself. When a man talks about himself he is unfailingly disingenuous. As the race-track dopesters would say, you have to "throw out" what a man says about himself. A man's recital of his own experiences may be entertaining or amusing, but is rarely, if ever, a trustworthy guide for others' conduct — except when the narrative departs from the narrator's portrayal of himself and touches upon his observation and estimate of events which were wholly beyond the real or imagined influence of his own acts.

This is a rather formidable beginning for a talk on salesmanship. I fear I must produce an anti-climax if I am to reach my subject within five hundred words. But anti-climaxes, like premature explosions, sometimes make

deep indentations. The thought I want to indent you with is this: A man can't tell the whole truth about himself.

Realize this and you grasp the hopelessness of learning much about salesmanship from the recounted experiences of others. A sale is a contract. One of the dryest, and accordingly one of the most authoritative, legal commentators the world has ever known, in part defines a contract as a "meeting of minds." Therefore, knowing how to be a salesman would seem to consist in knowing how to make minds meet — your mind and your customer's mind. Does any one know how? The reminiscences of the veteran salesman are calculated to impress one that he has learned the secret. But reminiscence nearly always recounts successes and touches lightly or not at all upon failures. As an example of that I commend to your notice Mr. Thomas Lawson's occasional reviews of his services to the speculating public.

There are lots of good salesmen, but scarcely any who can really tell you anything

about salesmanship. Take the worst example of poverty-stricken and unsuccessful lawyer and compare him with the best example of flourishing and highly paid salesman. You will find that the poor lawyer probably knows twice as much about law as the good salesman knows about salesmanship — this despite the perplexing turkey trot which vested rights, public clamor, rule of reason, and judicial recall are doing before the distracted vision of our imperiled judiciary. Make the same comparison with doctors, architects, dentists, engineers, actors, and chorus men — yes, even chorus men, for a chorus man has to know more about being a chorus man than the average salesman knows about salesmanship.

Have I a grudge against salesmen? Indeed, no. I am a salesman myself. I've done my trick at managing them. I'm through with managing salesmen, I think, but I shall never cease to be a salesman. When I roast salesmen, I'm roasting myself. Don't forget that.

Why is salesmanship so little understood? In trying to answer that question let us try to

find something that can be compared to selling merchandise. There are points of comparison between salesmanship and love-making. Who can tell anybody anything about love-making? Many a despairing Romeo gets advice, but what good is it? Many a tattler boasts of his conquests, but how true is it? Love — like salesmanship — involves a meeting of the minds. I have never credited the heart alone with being responsible for the tender sentiment. What makes the minds of lovers meet? Suppose you once won the affections of a slender brunette. What chance would you have with a stout blonde? The same chance — precisely. As my friend Tom Connors says: "When you lose, you deserve to lose, and when you win, it's luck." It is somewhat that way with salesmanship.

I have been a salesman quite a number of years. I think and dream salesmanship and — what is more important to me — I live by salesmanship. Yet I don't know very much about it. But, little as I know, I shan't be able to tell you as much as I know, for a man

can't tell all he knows about selling goods without an honest and just analysis of himself. And who is capable of that? However, I'm going to tell you as much as I can.

If a sale involves a meeting of minds, let us consider the kind of minds the salesman's mind has to meet.

One day on a Rock Island train I overheard a conversation between a grocery drummer and a hardware salesman. The grocery man said to the hardware man: "Selling goods is all in sizing up your man. You can't handle any two men alike. I read character at a glance."

The train pulled into Iowa City, and the three of us and a few others clambered into the hotel bus. Now every traveling man, who has been on the road long enough to qualify himself for commercial travelers' accident insurance, knows the etiquette that should be observed in a country hotel bus. No matter how voluble you may have been aboard the train, you relapse into a gloomy silence the instant you enter the hotel bus. You gaze with unseeing eyes over the shoulder of the man oppo-

site you and surrender your mind to a painful consideration of the gastronomic horrors in store for you at the hotel.

At such a time no one but a grocery drummer would venture upon any form of conversation beyond a contemptuous reference to the departing train, a sarcastic comment on the bus driver and his vehicle, or a self-commiserating estimate of the hardships of a traveling man's life. Grocery drummers alone are immune to the rising gorge that chokes other traveling men as they journey from the railway station to the hotel of a country town (apologies to Iowa City and its passable taverns).

This grocery drummer was no exception to the exception, and after he had set fire to "an Havana-filled, Sumatra-wrapped," twenty-seven-dollars-a-thousand "grocer's delight" and recovered his suitcase, which had bounced off the seat on to the toes of a bilious-looking Marshall Field carpet and curtain man, he resumed his appreciation of himself. "Human nature," he observed, "is pretty much

the same the world over — even down in Washington County among the 'Aw-mish.' I got a system now that they all fall for."

Smile; please smile at this. And yet, why should you? For you have heard equally contradictory statements from the mouths of other traveling men who were trying to explain their methods, and — if you have ever been a traveling man — you have possibly made the same sort of conflicting statements yourself.

But what he said was n't so foolish after all. This chap was very close to a great truth. He was close to it without comprehending what the truth is.

Human nature is pretty much the same the world over — the United States over, at least. On the other hand, none of us are exactly alike in character or temperament. A salesman who had five hundred potential customers, and could read their characters and adapt his methods to the character of each, would have five hundred different methods — a different method for every customer. Mani-

festly no traveling man could have five hundred different methods. I have never known one who had as many as five. One method is the limit of the average salesman if you correctly define the word "method."

Possibly, if a salesman could really read character he would also be gifted with sufficient versatility to apply a different method to each different kind of character. But who can read character? I don't understand my own character. You don't understand yours. How can you read mine? How can I read yours? The shallowest character lies too deep to be fathomed by the most penetrating eyes. The supposed manifestations of character which mark a long and intimate acquaintance with a given man are not to be depended upon. How much less can we rely on our superficial estimate of a stranger.

The young man who contemplates salesmanship as a profession may safely free his mind from the thought that the ability to read character is an essential qualification. However, there are two desirable qualifications in

a salesman which are perhaps responsible for the mistaken theory that an experienced salesman becomes able to read character. The first is the ability of the salesman to adapt the method of his approach to the apparent temperament of his customer. The second is the curious faculty of divining the proper time to risk everything on the "closing talk." The first is easily enough explained and easily enough acquired. The second is infinitely more difficult. Both will be touched upon in their proper places.

Now, I have gone as far as I can without dividing a sale into its four severable parts. This division is imperative to an intelligent consideration of the subject of salesmanship. It is even more important to the actual making of a sale. The projection of your mind to a successful meeting with another human mind requires the accomplishment of four distinct steps with your auditor: First, you must gain his undivided attention. Second, you must arouse his definite interest. Third, you must create an unqualified belief in and

accord with your statements. Fourth, when you have removed all quibbles and doubts from his mind, you must replace them instantly with an impelling resolution to do the thing you ask.

These four steps, whether accomplished by the salesman's skill alone or aided by the customer's previous deliberations or some freak of circumstance, must occur in every sale. It is important that the salesman be sure the first step is accomplished before he essays the second; the second before he attempts the third; and above all else he must proceed to the final step at precisely the proper moment — the psychological moment, if you will.

We take up the consideration of the first step: attention-getting or approach. Our friend the grocery drummer said, "You can't handle any two men alike"; and implied that he handled his customers according to his estimate of their respective characters. He also said, "Human nature is pretty much the same the world over." I say that he was very close to a great truth without comprehending

what the truth is. There is comparatively little truth in the statement that "You can't handle any two men alike," but it contains enough self-evident truth to be fatally misleading if one does not establish its proper relation to the greater truth that "Human nature is pretty much the same the world over." There are certain impulses, ambitions, prejudices, vanities, and suspicions which in varying degree are common to us all. A considerable part of judge-made law is based upon the judicial concept of that creature of hypothesis called an average man. In numerous law cases and in numerous kinds of law cases, the conduct, thoughts, and motives of the individual are measured by the judge's or jury's estimate of what would be the conduct, thoughts, and motives of the average man in similar circumstances. This average man, which the courts attempt mentally to visualize, is nothing more or less than a definite embodiment of our grocery drummer's theory that "Human nature is pretty much the same the world over."

As a rule a traveling salesman who is about to take to the road with a new line of goods does not plan in advance the precise manner in which he will present his proposition. If you ask him what methods he intends to pursue, he is likely to say, "It all depends on the man I'm trying to sell. I'll probably have to handle each case differently."

What he really does is to outline in his mind the talking points which he believes will be effective. When he reaches his first prospective customer he makes use of as many of these points as he remembers or finds an opportunity to present. The salesman's imagined handling of each case "according to the man" is largely a delusion. The salesman does n't handle the "man." The "man" handles the salesman, because the latter has not worked out and rehearsed a definite plan of action. After a salesman has interviewed a number of potential buyers, he evolves a more or less uniform method of presenting his subject. This is what he calls the result of his experience. But it must be remembered

that experience does not become knowledge until it is fused with thought in the crucible of analysis and reflection. I have no hesitation in saying of the salesmen whom I know that ninety per cent of them fail properly to analyze and reflect upon the daily events of their experience. As we progress, I hope to make this thought clearer, but for the present this reference is sufficient.

While I do not think a salesman should adopt the methods of the actor, I do feel that he should know his book as well as the actor and strive for effects as zealously. I also believe that his book should be prepared with as great an effort to achieve sustained interest and moving climaxes as characterizes the construction of a play.

Now let us get back to a more circumstantial discussion of the meeting of minds which must occur in every sale. As the gaining of attention, most aptly called approach, is the first step in a sale, it is evident that a salesman who undertakes to work out a definite method of procedure should first plan his approach.

This brings us face to face again with our average man, for we must create in our minds the average man against whom our selling attack is to be directed.

At this point, the average salesman, after asserting with more or less vehemence that a salesman's approach should depend entirely on the character of the man approached, is likely to say, "And even if there was anything in this 'average man' idea, you'd have to have a good many different kinds of average men. You'd have to have an average country merchant, an average city merchant, an average jobber, and an average salaried buyer." Such a statement, reasonable as it may seem, is to my mind an indication that the salesman who utters it has failed to make a thorough analysis of his experiences.

In forming your estimate of this average man with whom you are to deal, it is n't necessary to consider whether he's going to sit in a luxurious private office or on the edge of a pickle barrel. Those are distinctions to be

considered after you have approached him as an average man.

The best way to create an average man in your mind's eye is to analyze yourself and subtract from yourself all of the hobbies, fads, vanities, aspirations, weaknesses, and prejudices which, so far as you are able to judge, are not shared with you by a majority of your acquaintances. Take what is left of you and add to it any of the hobbies, fads, vanities, aspirations, weaknesses, and prejudices which you do not possess, but which you believe are possessed by a majority of other men. The result will be about as close as you can get to a true concept of an average man. It is difficult to be sincere in one's self-analysis. Perhaps it is equally difficult to be just in one's estimate of others. Also there is an admitted difference in the ability of men to judge themselves and in both their ability and opportunity to judge others. But similar difficulties and similar differences in result are incident to any purely mental function when performed by different people.

I am going to attempt a few illustrations of this method and my own application of it. To do so, I must present a certain amount of self-analysis, and I have warned you that it is difficult for a man to discover the truth about himself—or tell it after he has discovered it. With a reiteration of that warning, let me proceed.

I imagine myself to have a sense of humor. However, my observation of mankind is that a majority do not possess a very highly developed sense of humor and are either irritated by or fail to comprehend any but the broadest or most colloquial sort. Therefore, my average man's sense of humor is of a very primitive order, and when I approach him, I am as serious as I know how to be.

Personally, I adore clever people and detest stupid ones; but my experience of mankind is that a majority, if not stupid themselves, at least are antagonistic to cleverness. Wherefore my average man takes no pleasure of cleverness in others, and I make no attempt to appear to him as clever. It is no doubt well that I do not, for true cleverness is a rare quality

As a youth I possessed a somewhat fluent tongue and a very great admiration for elegance of diction in others. But I observed that most men are inclined to be suspicious of what they call a "smooth talker." At this stage of my career, which was shortly after I commenced to try to sell merchandise, I ran across an Englishman who was a very successful life assurance solicitor. He had the appearance and manner of a villain from Drury Lane melodrama and the halting speech of an American musical comedy Englishman. But in spite of this, he sold huge quantities of life assurance, and I observed that his sketchy way of presenting his subject seemed to kindle the interest of the people he approached and, instead of escaping through the gaps in his arguments, his auditors were more likely to build up these gaps by their own questions and the exercise of their own imaginations, until they had completely ensnared themselves. As a result of my study of this man's methods I adopted taciturnity in place of my previous glibness of speech when approaching a

potential buyer. For my previous flowing and more or less flowery sentences I substituted brief staccato utterances — more or less incoherent, but capable of extreme emphasis, and, by virtue of their very incompleteness, arresting the attention and challenging the interest of the person addressed.

Personally, the positiveness of another's views does not impress me; instead it breeds in my mind distrust of his sincerity or the suspicion that his knowledge is superficial. I try to make it a rule to be influenced by no one's opinion unless I know the facts or theories on which he bases it. But it has been my observation that dogmatic utterance carries weight with the average man and that an excess of logical argument arouses his suspicion that you are trying to bolster up a weak case. Therefore, the keynote of my approach is always sounded by a positive and unequivocal statement.

The foregoing will give you an idea of some of the things I subtracted from my own estimate of myself in order to discover an average

man. There were a good many qualities I did n't have to subtract from myself, because I found that a majority of other men also possessed them. Vanity is one of the qualities I did not subtract. I have never known a man who was not vain. Perhaps the vainest man is the one who most thoroughly suppresses the usual manifestations of vanity.

It is a safe assumption that every man is vain, and naturally my average man is vain. How shall we deal with his vanity when we approach him? Every one likes flattery, but it must be most delicate and casual if it does not excite suspicion. In other words, while your flattery may gratify me, it also makes me question your motives. Flattery has no proper place in approach. If used at all in salesmanship, it should be after you have gained attention and are well into your subject. It took me a long time to learn that you should n't attempt to flatter a man when you first approach him. After I gave up word-flattery, I tried to look flattery. For example, I would gaze around a man's store or office in a most

admiring way before introducing myself. I thought this was subtle enough to create a glow of satisfaction without an aftermath of suspicion, but I could never trace any good results to the practice, and finally abandoned it after a rather disconcerting experience with an old German, who attributed my scrutiny of his place to an intent to appraise his stock of merchandise for Dun or Bradstreet. It seems that their repeated requests for financial statements had incensed him and he surmised that they had finally sent out a spy in the person of myself. While his contrition for the error resulted in an easy order, the incident convinced me that a salesman's approach should be unmixed with any form of flattery. If the flattery is strong enough to make an impression it is strong enough to set in motion the suspicions of your prospective customer, even though his suspicions do not take so absurd a form nor are so frankly revealed as those of the irascible old German.

Then, what regard shall we have for the average man's vanity when we approach him?

I am ashamed to tell you where I discovered the answer to this. A good many years ago, a friend who knows the underworld pretty well introduced me to some of its more or less celebrated characters. One of them, a confidence man, explained to me, "It 's all a mistake to salve a man when you're trying to get him hooked. You want to act like you don't think he's got the brains or the coin to go through on your proposition. Put it up to him, so he'll have to hook himself in order to show that your opinion of him ain't high enough."

This roughly phrased fragment of philosophy did not make much of an impression upon me until I began to test it in hypothesis upon myself. Then I realized that an almost certain way for another to gain my attention would be to imply the lack of some quality in me which I believed myself to possess. Of course, if the implication was made in an offensive form, my antagonism as well as my attention would be aroused. Evidently the implication should be very faint; just enough to make a man concentrate his mind upon you — if

for no other purpose than to prove to you that he is a bigger or a cleverer man than you seem to realize.

The proper application to salesmanship of our confidence man's theory of approach dawned upon me at last: Ask an inoffensive question. Make that question almost the first speech in your approach. Suppose you are selling saws. If they are high-priced saws, ask this question the instant you can get your man to look you in the eye: "Have you an organization that can sell a very high-grade saw?" There is no possible answer he can make which will put you on the defensive until he yields you his attention and invites you to talk, which is what you are there for. Let us construct a few answers a buyer might make to such a question:—

(1)

Buyer. We're doing it now.

Salesman. I guess I don't make clear to you the kind of a saw I mean.

Buyer. Well, what kind do you mean?

Or (2)

Buyer. We are handling the best saw on the market now.

Salesman. I'm talking about a different kind of a saw.

Buyer. What kind are you talking about?

Or (3)

Buyer. What we've got satisfies us.

Salesman. But could your organization sell a high-grade saw? (Which brings the buyer back to where he was in the first place.)

If a saw salesman asks the question, "Have you an organization that can sell a very high-grade saw?" and his rejoinders to the buyer's questions are a polite but emphatic reiteration of the original thought, the buyer must finally invite an elucidation of that thought.

Any similar question will serve. Please fix this point in your mind: You have n't properly analyzed your goods if you can't frame an inoffensive attention-getting question for

use in your approach. The other day I was talking to a man who sells prints to shirt-waist manufacturers. He said, as nearly every salesman will say, "My line is different from any other." He also said, "There is no question I could ask a manufacturer of shirt-waists, except to request him to look at my samples."

I asked him to name the chief talking point about his goods. "The prettiest Parisian patterns in advance of competitors," he replied.

Then I suggested: "Suppose you said to a manufacturer, 'Have you any trade that would appreciate a pattern that is a positive craze in Paris right now — not yesterday but to-day?' What would the manufacturer say to that?"

"Why, he'd say, 'Let's see it,'" was the answer.

"Is n't that what you'd want him to say?" I inquired.

"Gee, I guess that's right."

It's so simple that it sounds foolish — but every truth is simple in its final analysis.

So much for vanity. Now, I have observed that my eyes can deliver a message to my brain more quickly than my ears. I have observed the same of others. I have noticed, too, that my attention can be focused more completely through my eyes than in any other way. Accordingly, I always like to have some object to place before the eyes of my prospective customer. If possible, it should be the article you are trying to sell or some portion of it. If that is impossible, then you should have a picture, a newspaper clipping, or an unusual testimonial. The best time to show this object is right after you have cornered the buyer with your question. If you are selling a saw, wait until you have forced the buyer to ask you, in effect, what kind of a saw you are talking about. Then pull out one of the saws or a piece of steel, and say, "There it is," or "There's what it's made of." The most cynical buyer cannot avoid a distinct feeling of interest in any object that is placed in his hands — even if it is merely a coffee bean.

Give him a dramatic moment in which to

examine the article you have placed in his hands. Then make the assertion which you have selected as a means of fairly transfixing his attention. This is what I have referred to as the keynote of approach. Such a speech should be as brief and emphatic as you can make it. If it succeeds in its purpose, you have won attention, and you may pass on to the second step of your attempted sale — the development and enlargement of your auditor's interest. If it fails, you should go over the same ground again and again with a variation of words, but not of thought or purpose, until undivided attention is finally yielded to you. Do not make the blunder of attempting to expand your customer's interest until you are certain you have fixed his attention on the identical subject in which you desire to center his interest.

I have used a good many words in discussing how you should plan your approach to the average man, but I have by no means touched on all the traits of the average man which should be considered in planning the

first step of a sale. However, if I have made clear my method of plotting against the poor fellow, I have accomplished enough. You probably know him as well as I do, for he is as much like you as he is like me.

We are now at the point of considering this mystery-enshrined problem of "sizing up your man," or "reading his character," or whatever you choose to call it. To show you how important I consider it as a factor in applied salesmanship, when compared with the importance of constructing a true image of an average man, I shall dismiss the subject with a very few words. You don't read a man's "character" when you see him. If you size him up, it is merely to observe, for example, whether he is deliberate or impetuous, phlegmatic or volatile, serious or flippant, placid or irascible, courteous or ill-mannered, patient or impatient. Naturally you try to harmonize yourself with those phases of his temperament which are most apparent. You speak quickly to a quick-spoken or nervous man. You are slower of speech, but no less emphatic, with a

deliberate man. You are self-assertive with an ill-mannered man. But why multiply examples of this so-called character-reading and its influence upon your method of approaching a prospective customer? It is largely instinctive, which is no doubt why many salesmen rely upon it in preference to premeditated speech and acts which require constructive thought.

When you get to know a man you will naturally adapt your manner of approach to your estimate of his temperament, but do not mistake the exchange of personal amenities for real attention-getting. The attention a salesman requires is not attention for himself alone. What he needs is an approach that will compel attention for some particular article in his line or some particular phase of his proposition. He does not want the merely tolerant attention of friendship. The salesman who places his reliance on the friendship of a buyer is backing a high-weighted horse at short odds.

As to the class of man you are approaching, — that is to say, whether he is the kind of man

who sits in a luxurious office or the kind who sits on the edge of a pickle barrel, — my advice is to disregard such distinctions. Act the way you feel, unless you happen to feel subdued by Turkish rugs and rosewood desks. In that event, don't act the way you feel.

One more word and I am done with the subject of approach. I can imagine a jobber's salesman saying that my method is not practicable for a man who sells an extensive line. In my opinion a great weakness in the methods of most salesmen for jobbing houses is that they do not base their approach on one specific article, but scatter fire. I shall enlarge upon this later.

Don't try to tell your whole story when you approach a prospective customer. A common and very bad introductory remark is somewhat as follows: "I am representing Smith & Jones of Johnstown. We make a very fine line of 'Thingumbobs' and I want to see if I can't interest you in our line." Whatever else you do or say, don't say that.

Attention may be called the dawn of inter-

est, if you can imagine a dawn that will turn tail at the slightest excuse and slip back into the darkness whence it came.

Perhaps it is closer to the mark to say that attention is a challenge, since the man who gives you his attention yields a temporary interest which his mind challenges you to hold.

Real interest is involuntary mental concentration; forced interest is an unwilling captive; and feigned interest an amiable deceit. It is never safe to assume that any talking point is of inherent interest to a buyer, nor that you can interest him in your goods merely by describing their good qualities in a convincing way.

I never knew any one to buy a photograph of a banquet which he had attended if the photographer failed to get him in the picture. If I wanted to impress Niagara Falls on a man's mind so that he would never forget the scene, I should photograph the falls with the man in the foreground and give him a copy of the photograph. If we want to hold the

interest of a buyer as we describe our goods, we must keep him in the picture.

Our average man is always interested in himself. If we are trying to sell a high-priced saw and ask the buyer, when we approach him, whether he has a sales organization that can sell a very high-grade saw, we gain his attention because we touch his vanity, and we attach a tether rope to his interest because we make the quality of our saw part and parcel of the buyer's consideration of his own sales ability. We gain momentary possession of his interest, but if we proceed to talk about ourselves and our saw without bringing him into the story, his mind is likely to pull the tether pin and gallop off to the consideration of other subjects.

A buyer's interest in the quality of your goods can be developed to the extent only that he sees in their superior quality a means of increasing his own business profits or prestige. A quality talk should always be from the standpoint of the buyer as a seller and in the identical terms that he would use in selling

your goods to his own trade. If the buyer is a jobber, take him with you on an imaginary trip over his territory and talk to his trade about your goods. If he is a retailer, place yourself behind his counter in your imagination and talk to his patrons. In addition to convincing a buyer of the superior excellence of your merchandise, you must also convince him that he can convince his trade.

The test of the buyer's interest in your description of your goods is whether you have made him forget that he is a buyer. It is necessary to bring him into the picture as a seller and make him see himself using successfully with his trade the same quality talk that you are using with him. If you can make a buyer desire to remember what you are saying to him so that he can say the same thing to his own customers, you have captured his real interest in the quality of your goods — and short of that you have n't.

"Was unable to interest him." I don't know how many times I have read those words in traveling men's reports. I may have

used them myself when I first went on the road. It is a confession that no salesman should have to make. He might as well report: "I saw Jones, but I could n't get him to look up from his desk." A salesman can always get attention and develop some degree of interest. Yet there are thousands of salesmen who do not always successfully negotiate these preliminary steps of a sale and many of them fail without knowing they have failed. The other day a salesman thanked me for my attention and my interest in his proposition, when, as a matter of fact, my attention had been directed to the circumstance that he was wearing a blue cravat with a brown suit and my interest engaged by the peculiar conformation of his ears. Nor was my frivolity responsible for this. The man had a fair chance to transfer my attention to the thing he had to sell, but because I looked at him he believed he had all of the attention necessary. He could have excited my interest in something besides his ears if he had brought up any point of real interest to me. But he did n't. He took

up his allotted time in talking about things that interested him, and because I listened he imagined that I was interested.

I cannot lay too much emphasis on the point that the way to arouse a merchant's interest is to put yourself in his place and talk to his trade instead of to him. One of the best salesmen I know carries with him an imaginary person whom he calls Mr. Dinkenspiel. This salesman sells all his goods to Mr. Dinkenspiel. He will start in something like this: —

"Now, there is Mr. Dinkenspiel up at Worcester, Massachusetts." "Dinkenspiel is such and such a kind of a man." "We go up to see Dinkenspiel." "Dinkenspiel says 'so and so.'" "We say to Dinkenspiel 'so and so.'"

Dinkenspiel is the greatest cosmopolitan in the world, for he lives wherever this salesman wants him to live. He is the most versatile person in the world because he instantly assumes any character the salesman gives him. However, the buyer can always recognize one of his customers in Dinkenspiel and unconsciously becomes a seller instead of a buyer as

his mind follows the imagined sale to Mr. Dinkenspiel.

Every salesman should have a Dinkenspiel, and those who sell to retail merchants should have a Mrs. Dinkenspiel, to whom in fancy they can sell their goods over the merchant's counter while the merchant listens.

One final word on the second step of a sale. No matter how many different kinds of goods you have to sell, start in on a single article and keep the buyer's interest on that article until you have sold it to him or convinced yourself that he won't buy it. Even though you are traveling for a jobbing house and carry a catalogue as big as a dictionary, you should commence as if you had but one thing to sell. Actually sell something before you commence to rifle the pages of your catalogue and drone out your inquiries as to whether the buyer needs any of this or wants a little of that. Make a clean-cut sale right at the start, and subsequent orders will come a good deal easier and faster. I suppose this is a result of the meeting of minds which occurs in an actual

sale as distinguished from a voluntary offering in the shape of an order. After the minds of buyer and salesman have met in a real sale, they appear to synchronize more fully as the pages of the catalogue are turned. Perhaps this is n't the explanation, but the fact remains, and I commend the method to every jobber's salesman.

The third step of a sale is to nail down what you have previously said. In developing the interest of your prospective customer you will very possibly have carried him to a point from which there will be some reaction. You must expect reaction. It is better to have it before than after you get the order. Reaction after you have gone away with the order is very likely to mean cancellation. A countermand usually means that you overplayed your hand.

You have interested your prospective customer as you sketched the possibilities of your line and told him of its good qualities. You have sold the goods to Mr. Dinkenspiel and your customer has heard you do it. While he

listened he ceased to be a buyer and in his imagination became a seller. But before you get his order he becomes the buyer again. You have made him comprehend what you claim for your goods in quality and salability. The next step is to bring him to a full belief in and accord with your statements — by making him see a profit.

He wants to make money. You must show him certainly and definitely how your goods will make money for him. If they are priced at such a figure that he can't derive an attractive direct profit from their sale, you must be able to show him how they will build up his prestige and trade, and give him the desired profit indirectly, if not directly.

No matter how excellent your wares may be, no matter how satisfactory they will prove to the trade, no matter how easily they can be sold, our average man insists on seeing a satisfactory profit in them in some form or other before he will give you his order.

I have heard salesmen say: "Yes, I know, Mr. Jones, the profit on our goods is a little

less, but consider the satisfaction of handling a line like ours." The satisfaction which a merchant gets from handling a high-grade article is secondary to the satisfaction he experiences in making an attractive profit. I have never known a merchant to place an order for goods merely that he might have the satisfaction of handling them. Tradesmen handle merchandise for the profit. Postage-stamps ordinarily yield the apothecary no direct profit, but his postage-stamp business extends his trade and affords him an indirect profit. The grocer may handle certain widely advertised goods at an actual loss, but he has a reason for doing it quite apart from any satisfaction he derives from their sale.

Summed up briefly, the third step of a sale is to decorate your proposition with the dollar sign. The reaction which the buyer experiences after you have carried to the highest pitch his interest in the quality and salability of your goods will manifest itself in one controlling thought: "Can I make more money by buying these goods?" Don't let

him ask the question. Anticipate it. You know the climax of your quality-and-salability talk. Ring down the curtain on that line of talk when you have reached this climax and instantly ring up on your profit-making talk.

I have asserted that the third step of a sale is to nail down what you have previously said about your goods. Convince the buyer that there is a sure and satisfactory profit to be made from the sale of your line and you have confirmed to his entire satisfaction all of your previous claims. Up to the third step of a sale, talk quality just as fervidly as the truth will permit; then prove your statements by showing the buyer how much money he is going to make. Not because that really proves quality, but because our average man wants to believe the best of anything that holds forth a convincing prospect of more money in his pocket. Perhaps you say, "Then why not talk about the profit first?" Simply because profits in trade are not earned until sales are made, and the buyer's mind is not ready to consider the subject of profits until you have shown him

the possibility of sales. Sales before profits is the order of events in trade. Your sales arguments should be presented in the same order, for that sequence of thought occurs in the buyer's mind as he considers your proposition, and he cannot follow you attentively if your arguments are presented in a different sequence.

But in its proper place the profits talk is all-important, and every salesman should have at his tongue's end a definite and convincing statement and analysis of the profits that can be made from the sale of his goods. If you are a salesman and have n't a lucid profits talk in your repertoire, I beg of you to take pencil and paper to-night and work one out to the last decimal point, for the accomplishment of the third step of a sale depends on the buyer's ability to see a profit in store for him.

Now comes the fourth and final step of a sale. You have disarmed the buyer by showing the salability and the profitableness of your goods. He is ready for the final stroke. But remember that a buyer has wonderful re-

sourcefulness in negation. If you let the psychological moment slip by, he is likely to recover his shield of doubt and sword of disagreement and put you to rout. Don't let your opportunity escape. The instant you have reached the climax of your profits talk is the time to take the hazard.

I have referred to the faculty of divining the proper time to make the closing talk. It would have been better to define this as the ability to recognize the moment you have convinced your prospective customer that there is an inviting profit in your goods. When that moment comes, say to yourself: "Mr. Buyer, I know you're going to buy a bill of goods from me. You can't help it. The only question is how big a bill you're going to buy." However, while you are talking to yourself, don't give the buyer a chance to put an excuse or objection into words. A thought that gets into words is harder to combat than a silent thought.

The best closing stunt I know of is to outline an order. It keeps before the buyer's eyes the picture of sales and profits that you have

drawn and it keeps him in the picture. You say: "Now to start in on this proposition you 'll only need"—well, no matter how much he's going to need. You write it down, commenting on the virtues of the goods as you write. It is a curious fact that a buyer will seldom interrupt you while you are writing, and if you talk as you write, his mind follows your pencil instead of formulating excuses, doubts, and objections. When you have completed the memorandum of the goods you think he should buy, you pass it over to him and you say: "There's about what you ought to have as a starter." The expression on your face is a sort of compromise between the ferocity of a man-eating tiger, the wistfulness of a hungry dog, and the self-complacency of a hoot owl. What does the buyer do? He either buys or he does n't buy. You have cast the dice and you have won or lost.

I have not touched on special discounts, impending advances in price, threatened shortages of supply, or similar inducements and arguments that can sometimes be offered to

the buyer as a part of the closing talk. If the salesman can truthfully advance any such reasons why the buyer should place his order at once, they are a legitimate aid in taking the fourth step of a sale, but they are not an essential part of salesmanship.

I have nearly completed what I have to say about salesmanship, the rule-of-thumb science. Its fundamental rules are few and simple. Their application depends upon your estimate of yourself and the average man with whom you have to deal. Your thumb may be either longer or shorter than mine — hence salesmanship must always be a rule-of-thumb science.

It has required some restraint to refrain from anecdotes to illustrate the points I have attempted to make. Illustrative stories are almost habitual in articles on salesmanship — so much so that the illustrations usually submerge and obliterate the points intended to be illustrated. You no doubt know as many stories as I, and I leave it to you to find your own illustrations.

I should be entirely through now, except that a man who knew that I was writing this chapter said to me the other day: "I want to read what you say about personality. That's the important thing in a salesman, and it's a thing that's born in a man. It's something he can't acquire."

To avoid disappointing this gentleman I must say a few words about personality.

Personality in salesmanship is merely the radiation of self-confidence. Be sure of your ground and you will have a convincing personality. Some people are born with self-confidence. If it stops short of offensive egotism, they have a certain inborn personality. But personality is more frequently acquired than inborn. Don't worry about it any more than about character reading. Know your goods thoroughly, master and practice the fundamental principles of salesmanship, and personality will descend upon you like a halo.

II

OVER-THE-COUNTER SALES

ALTHOUGH I have never sold a pound or a penny's worth of anything over a counter from the inside of the counter, I nevertheless approach the subject of retail salesmanship with the utmost assurance. A nearsighted paralytic, criticizing Ty Cobb's method of running bases, could not feel more secure than I do when I talk about selling goods at retail. Furthermore, it is a subject that delights me. I feel that I am dwelling on wrongs which I have personally suffered. My views on retail salesmanship are largely a recital of grievances, grievances that have arisen in trying to get retailers to sell goods for me, and grievances that have resulted from trying to get them to sell goods to me.

I have some money in the bank that probably would n't be there — in my name at least — if a little real salesmanship had been

practiced on me. There are a number of articles I have wanted for a number of years, but still lack, although I have examined and priced them repeatedly. This I consider conclusive proof of a prevalent low order of retail salesmanship. I know that I would be susceptible to salesmanship. I know that I would yield to it to the full extent of my purse — or the credit man's estimate of my credit worthiness. Hence, since I don't yield, it must be that I have not encountered salesmanship.

Come with me and let us visit the retail shops. At the threshold or the counter, according to the character, size, and system of the place, we are greeted. If either of us is personally known to the merchant or his clerk, there are, of course, the salutations of acquaintance, varying with the extent of the acquaintance and the esteem which it has engendered. But whether or not there are the obligations of acquaintance to be discharged, we are fairly sure to hear a certain seven words or their equivalent.

"What can I do for you to-day?" is as com-

mon a phrase in retail stores as "F. O. B. Factory" in a manufacturer's price list. I defy any one to say to me, "What can I do for you to-day?" without offending me.

What can a retail salesman do for me? Not a darned thing. I admit he is doing me a favor by being there to take my money and give me what I want, but I don't like to be reminded of it. I like to feel that I am conferring a favor on him. I could go elsewhere or I could send my money to a mail-order house and enjoy all of the sensations of a man who has bought a lottery ticket or advanced railway fare to a marriage-bureau photograph, and I don't want a merchant or his clerk to talk as if he were renewing a note for me when I come in to pay cash for a pair of suspenders.

A merchant builds his shop, arranges his wares and advertises them for the purpose of enticing you to his place of business. You come in response to his invitation, and then he or his clerk bristles up and says, "What can I do for you to-day?" in a manner that nine times out of ten seems to imply, "What

do you want in here? Speak quickly. Time is money with me." Of course the salesman does n't usually mean it that way, and the average customer does n't take it that way, but one must practice a good deal to be able to say "What can I do for you to-day?" in an essentially different way from "What can I do for you, my man,—or my good woman?" Try it.

However, the real objection to "What can I do for you to-day?" is that no matter how the words are spoken they mark bad salesmanship. The phrase is a plate-glass-windowed, mahogany-fixtured, clerk-unionized, and ungrammatical corruption of the mediæval street-vender's cry, "What do ye lack?" It is meant to signify both an ability and readiness to supply the needs of the prospective customer, but in reality expresses a doubt of both. Grammatically and psychologically it should be, "What may I do for you to-day?" However, that amendment does not remove the objection to the phrase. The trouble with this salutation and all of its varia-

tions, such as "Something to-day?" "What may I show you?" "Looking for something?" "Waited upon?" etc., is that the salesman throws away an advantage when he uses them. Some real or fancied need has sent me in quest of a certain article. Advertising, habit, convenience, or other circumstance directs me to a particular store. The sale is half made before I enter the store. This is true even though I am not yet ready to buy and am merely looking around. I have a keen interest in the object of my quest, and am ready to yield an absorbed attention to the article and a description of its merits. Compare my attitude with that which the wholesale buyer ordinarily assumes toward a traveling salesman, and it is apparent that I have produced in myself a state of mind that the traveling salesman rarely encounters in his customers until he himself has created it, and he fails in many an attempted sale because he can't create it.

I walk up to the counter with a mind full of interest in and a heart full of desire for at least

one article of merchandise. I have no intention of concealing why I came. I am ready to make a clean breast of the whole matter as soon as I can get the attention of the salesman. All he has to do is to bow politely and smile and say, "Good-morning" or "Good-afternoon," and then I will say, "I want to buy a stiff hat," or "Let me look at some shirt patterns," — just like that. But the salesman does n't do it that way. He does n't take it for granted that I've come in to buy something. For all he knows I may have come around to read the gas meter, and if I have he intends to tell me politely but firmly that the store has n't used gas for ten years. Accordingly, in a cold and dignified way, for it does n't do to be too cordial to an entire stranger, he asks me, "What can I do for you to-day?" It has almost the same effect as the warning, "Whatever you say can be used against you," that the British constable is supposed to mutter as he fastens the handcuffs on his prisoner. Instead of bubbling over with my intended confidences concerning the

thing I want to buy, an instinctive caution curbs my tongue, and I answer with a vast assumption of indifference, "Oh, I don't know; you might let me look at a stiff hat; the one I have on is pretty good yet, but I may get a new hat some day."

What size, what price, what color, what shape? I make him fight for every necessary detail. He has obscured in my mind the fact that I came in expressly to buy a hat. He has injected his own personality into the matter and made it a personal question of whether he can take down enough boxes and brush off enough crowns and clap enough hats on my head to force me to take one away with me, rather than feel his indignant eyes boring through my back as I walk out. In short, it becomes a question of physical endurance on his part and of moral courage on mine.

I may have seen a hat in the window that I liked; perhaps a friend has lately bought a hat that I admire; possibly a favored shape is current in the magazine advertisements. All of this would have been revealed in one gener-

ous burst of confidence if he had given me a chance. Then he could have said: "I know exactly what you want. I have it here and it's just the shape for you; by the way, what size do you wear, and would you rather have it in a black or a brown? — suppose you have a look at both — seven and three eighths? Yes, sir, I have it in both colors in that size."

If I were a retail salesman I would learn to bow and smile and say, "Good-morning" to my customers in a way to show without words that I was ready to move mountains for them. I would n't ask a customer what he wanted. I'd wait for him to tell me, and meanwhile I'd observe his appearance, speech, and manner to get the right cue for my first remark.

Something has brought your customer to the store. He is partly sold when he walks up to your counter. The advertising department, the window-trimmer, the location of the store, previous dealings with the concern, some force or circumstance has delivered him to you in this partly sold condition. When you see him coming, you don't know how close to

the buying point he is, but if you let him tell what he wants in his own way, without befogging the situation by needlessly asking him what you can do for him, the chances are that his remarks and manner will give you a pretty good idea of how far he has progressed toward a determination to buy the article about which he inquires.

A salesman's talk during business hours should be selling talk, and outside of a single word of respectful greeting, a retail salesman's first remark to a customer with whom he has no acquaintance should be something that will further the sale of the article in which the customer expresses interest. This remark should come as soon as the customer has stated what he wants. If he has named a specific choice of brand or style, or both, and you have the line and are sure you can fit him, if it is an article where fit figures, there is nothing to do but express commendation of his selection, ask his size, and show him the goods. This is even true if the line he asks for is in competition with another line you are

trying to push. The time to show a man a brand that's "just as good" — or better — than the brand he has asked for is after you've shown him what he's asked for — if you have it. And don't withhold your commendation of the line he asked for just because you intend to try to kill its sale. When a customer asks for the X Y Z brand, show it to him and praise it as much as it deserves; then bring out the A B C brand which you are pushing and praise it as hard as it deserves. Generally this method will get more consideration than any other for your A B C brand, and it has the obvious virtue of not imperiling the sale of X Y Z or offending the customer if he is a partisan of the latter brand.

Suppose, however, you don't carry the brand asked for? Will you disparage it, damn it with faint praise, or heartily commend it? From the standpoint of the buyer, I should say commend it before you show the brand you do carry. But you should be very quick on the trigger with the strong points about the brand you carry. It should be remem-

bered that the immediate sale is not the only thing at stake. There is the reputation of the house to consider. "We don't handle that brand" is a damaging admission to make unless, without disparaging it, you can show why you have something as good or better.

Personally I don't think much of the "just as good" argument. There are mighty few dead heats at the race-track, and there are mighty few persons or things of exactly equal quality. I don't know of any two brands of any article that are equally good. If your house carries one in preference to the other, you have a right to believe it is the better, and it is up to you to dig up facts that will support your belief.

Going back to our customer, let us assume he asks for a given article without naming any brand or style. This leaves you perfectly free to try to sell him what you like, but it also leaves him equally free to say, "Thank you for your trouble; I believe I'll look a little farther." In such a case, before any goods are shown, I think something should be said

to link up the personality of the prospective buyer with the article about to be shown. Assume that a man in a brown suit inquires about cravats. The salesman says, "I have a new brown here — a distinct novelty — and it would be perfect with that suit you're wearing now." Perhaps that won't sell the brown cravat, but it will make it mighty hard for the customer to leave without buying some kind of cravat. Suppose, instead of a cravat, it's a hat the customer is after. The clerk says, "We have a shape here — one of our latest — that I believe will set off your profile exactly." Who could help getting interested in the hats of a concern which took such an intelligent and flattering interest in the appearance of its patrons?

Perhaps a bride and groom come into a furniture store and say, "We want to look at a dining-room suite." Instead of asking a long rigmarole of questions about what they want until they feel like alibi witnesses under cross-examination, suppose the salesman says, "I want you to let me show you one or two

examples of what we are doing in the Periods, and then we'll look at some of our other specialties." They may wonder what year Chippendale played on the Carlisle football team and whether Sheraton in his day was as good a horse as Whisk Broom II, but, nevertheless, I am sure it will be easier to sell them that special $40 golden oak set and harder for them to break away and go up the street to Solomon's, if the salesman pays them the compliment of talking about the "Schools" and drops gracefully down to that ever smart and sensible stand-by, "Golden Oak" in "Grand Rapids Renaissance." Besides, there is always the chance that they will take the rubber band off the bank roll opposite one of the "Louies."

Maybe a sturdy stranger comes into a hardware store and wants to buy a hoe. There is n't any difference in the piston displacement of hoes, except as measured by their width and depth, but there is a tremendous difference in the way hoes act. Some hoes "scour" without a bit of trouble; others re-

quire a long course of treatment. Some have handles that seem to balance in your hands and hurl a menace at every weed in Christendom. Others are as unwieldy as a flatboat's sweep. The selection of a polo mallet or golf club is n't a mite more momentous than the selection of a hoe, for the man who is far enough over in the book to come in and personally select his hoe is just as much of a sportsman as the poloist or golfist. Then why not recognize the niceties of hoecraft and say, "I know just what you want — a really good hoe — one that will scour and that has a perfectly balanced handle. Try this one." Your customer is not only going to buy a hoe, but he is also going away with the conviction that you and your store know how to cater to true hoe-lovers.

Some one speaks up and asks, "How about the stickers?" There is a very simple answer to that question. In the first place, what is a sticker? A sticker is something you can't talk about to some one in a way to make "your talk stick," as they say on Forty-fourth

Street. What is one man's meat is another man's poison, and the other way around. What you would n't buy because it's out of fashion or crudely colored, I might purchase because I don't like the prevailing fashions or do like something odd. Salesmanship never fears stickers. In fact, stickers don't thrive around salesmanship.

Speaking of stickers, there is a hotel on Broadway at — but no, for it is the only hotel at that corner. Anyway there is a certain hotel at which I frequently lunch and am invariably served by one of two waiters. One is a German who, for example, will say, in a matter-of-fact way, "Do you vant some curry of chicken to-day?" I immediately reply, "Curry of chicken, eh? That's the dish you're pushing to-day, is it? No curry of chicken for mine; fetch me a piece of roast beef." The other waiter is a Swiss. His method would be to remark solicitously as if to spur my flagging appetite, "Ah, monsieur, you are not very hungry — something delicate — yet with piquancy — and nourish-

ment. Let me fetch you some of the curry of chicken." And I would say, "Yes, I guess that's what I want." In other words, there is no such thing as a sticker if the article is an honest article — and no good salesman should soil his hands with a dishonest article.

Perhaps some salesman who lives in a small town and knows everyone who comes into the store will say, "Your ideas of handling a customer may be all right in a large city, but they don't apply in my town, where I know everybody, and they would talk me to death if I did n't break in and ask them whether they want to buy anything."

A community where the salesman knows everybody — or nearly everybody — is a place where he can't afford to alienate a customer, for customers are too few. No discourtesy sinks deeper or rankles longer than the busy signal. If Deacon Pettijohn is trying to tell you how that May rain made him three tons of clover to the acre when in April he did n't think he would get over half a ton, it will pay you to listen to him until he gets

through. Don't scare him off by asking him what he wants, for he may be figuring on buying a clover huller, and who would feel like buying a clover huller from a salesman who breaks in on one's story and says, "What can I do for you to-day?" There are only two reasons why you should n't listen to Deacon Pettijohn. One is because you want to wrap up ten cents' worth of tenpenny nails that old Squire Scoggins will call for after the five-o'clock train gets in, and the other is because somebody else is waiting to be waited on. In the long run Squire Scoggins's nails are not so important as Deacon Pettijohn's clover crop, and, anyway, you 'll probably have plenty of time to get the nails ready before the squire gets back. And even if you don't, the chances are the old squire will be content to wait and gossip while you're weighing out the nails. Don't let an order-filler's job interfere with a salesman's career.

But suppose somebody else is waiting while the deacon rambles on about his clover. In the first place, since you know the deacon as

well as you do, the probabilities are, the fellows who are waiting know him quite as well. They may be interested in what he says, for such is the way of people in a community where everybody knows everybody else. Anyway, there is a way of telling people that they're next and keeping them pacified without saying a word. If you have ever been pantomimed on to the waiting-list of a barber shop by an Italian head barber, you know that this is true. Don't worry about Deacon Pettijohn: let him ramble on. He may have to buy something to put the proper climax in his story. It always pays to humor a customer, and it never pays to try to rush a retail customer until you get his nose in the gate. If you ever tried to drive a pig into a pen you know what I mean. I have been rushed and I act like a pig — or worse.

Doubling back on my tracks, let me pick up a point that I failed to get down in its proper place. Judging from my own experience as a shopper, every shop and every salesman has to deal frequently with people who want a cer-

tain style (not brand) that is n't in the store. To illustrate: Last summer the choking collapse of a starched collar inspired me with the idea of buying some of those soft, unstarched collars that for several years, at intervals, have bid for public favor and offered the alternatives of safety pins or linked buttons as a method of draping their clinging comfort around one's Adam's apple. Safety pins are not safe in the hands of any man, and the linked buttons which a valetless man has to coax into his dress-shirt are likely to prejudice him against the entire species. Therefore, when the collar manufacturers came out this summer with a soft collar that required neither safety pins nor links, and looked perfectly stunning as demonstrated by the appearance of the modernized Lord Byrons whose portraits appeared in the advertisements, why should n't any one rush to his favorite haberdasher and ask for a half a dozen. No reason in the world why he should n't — and I did. I went to a place in New York which even the Evanston people admit is as good as any store

in Chicago, and is constantly quoted to settle necktie and pajama arguments as far west as Cleveland. Would you believe it, this store did n't have a single one of these new soft collars. The only kind of soft collars they had was the kind that pins together with a safety pin. They could make anything I wanted by the end of a week. Meanwhile I could go without a collar if I wanted to avoid a chafed neck. The latter suggestion was not put into words, but as a practical man I could see that the proposition figured out something like that.

Being also a man of action, and no effort having been made to disabuse my mind of the idea, I continued my search until I found the pinless and linkless variety. I bought some, but I have n't worn them much, for I can't get them to hug my neck the way they cling to the necks of the men in the advertisements. Instead of that they spraddle out and make me look like Abraham Lincoln around the gullet without causing any of the rest of me to resemble the great emancipator. Now I am pretty sure that the salesman in the first shop

at which I called knew exactly what sort of experience I would have with the pinless and linkless collars. He could have sold me $3 worth of the other kind and a $2.50 safety pin if he had tried. My wilted linen collar and my obvious air of discomfort told as plainly as words that I wanted to experience the comfort of a soft collar immediately. Suppose he had said: "Those pinless and linkless collars are great for any one who likes to wear a detachable collar at tennis, golf, or yachting; also, some people prefer them to a stock in summer-time for horseback riding. We make them to order, and we can have some ready for you by the week-end, but if you want something to wear to business during this sultry weather I'd suggest the collars that pin together, because the others seem to give better satisfaction for outing use than street wear." It may sound foolish, but I would actually have fallen for that line of talk; I really would, and the chap who was along with me would have fallen for it, too, — he admits it.

It has taken a dreadfully long time to tell about this trivial incident of the soft collars, but the time has not been wasted if the incident serves to illustrate how easy and yet how important it is to explain — without seeming to explain — why you don't carry a certain style of a given article. It all gets back to knowing your book, as the actors call it, and I want to talk about that again a few paragraphs further on.

Speaking of this shop where I did n't buy the soft collars, I have observed a most curious state of affairs therein. The store building was apparently at one time what they would call in St. Paul a "Duplex." In other words, it was meant to be two stores, but was finally condensed into one. The dividing wall between the two storerooms has retreated about fifteen feet from the entrance and yields a similar passageway at the rear. There is as much difference between the right and left hand sides of this wall as there is between the climate in Medicine Hat and Mobile. Upon entering the shop, if you turn to the right,

you feel, and are treated, a good deal as if you were trying to loaf around a club to which you did n't belong.

The salesmen on the right-hand side of the dividing wall act like a bunch of "we Harvard fellows," and appear to have a certain amount of contempt for anybody who wants to spend his money with their employer. On the other hand — that is to say, on the left-hand side of the wall — the salesmen seem to appreciate it when you come in, and are about as competent a lot of retail salesmen as you will ordinarily find. I have bought a good many dollars' worth of merchandise on the left-hand side, but only one dollar's worth on the right-hand side. The salesmen probably migrate from one side to the other as promotions occur or stress of trade requires it, but the characteristic atmosphere on each side of the wall remains unchanged. At least, my observations during the past five years, based on visits so frequent as to exclude the theory of coincidence, have marked no change.

I mention the foregoing, to me curious, fact

because I believe it illustrates a vital problem of retail salesmanship, namely, the tendency of retail salesmen to adopt unconsciously the traditions that hover over the counters they serve, and envelop the particular kind of merchandise they happen to be selling. Or perhaps it is a phase of self-consciousness which prompts them to be no more eager, original, alert, or courteous than their co-workers or predecessors. I should say that the kernel of the matter is this: a retail salesman ought to forget that he belongs to a class of, let us say, overworked, underpaid wage-earners, and remember that he is an individual human being, whose success depends on his ability to interest, please, and influence other people.

A retail salesman is really one of the luckiest fellows alive. He is paid to take a course of instruction that Yale or Harvard could n't give him at any price, and if he wastes his opportunities he is just as much a ne'er-do-well as the college boy who divides his time in equal portions between New York and New Haven.

Knowledge is everything. A man can't go very far wrong on a subject he knows a lot about — and he can always make an impression when he talks about it.

A one-legged man who has studied foot-racing carefully and conscientiously can hold the attention and interest of any ten-second performer who ever broke a tape. A retail salesman should know intimately all of the goods in his department. His department may be the entire store or it may be only a ten-foot section of the store — that makes no difference.

I wonder how many retail salesmen really try to know all they can about the articles they sell. If the manufacturers' catalogues don't give all of the information desired, or if the salesman can't boil down from a catalogue the few pregnant remarks he wants to make in regard to a certain article, all he has to do is to send a post-card to the particular manufacturer concerned and say, "What do you think I should say when I put your goods on the counter before a prospective buyer?"

Manufacturers who buy space to tell about their products in "Collier's" and other magazines have certainly learned how to make the strongest selling arguments in the fewest words. They ought to be glad, and most of them are glad, to tell any retail salesman what they think should be said to the consumer about their goods.

Fancy an actor going on to play a part without knowing the lines or having any idea of the author's conception of the part. Yet the equivalent of this is what retail salesmen habitually do. Of course it's all right if a man is satisfied with his job and his pay, and can hold both at the gait he's going. But if a chap wants to get on and up, there's no quicker or surer way than learning the most convincing talking points about the goods he sells. To say that goods are "good goods" does n't convince the most credulous, but the reason why they are good will convince the most skeptical.

This is an age of commerce, but it is also an age of interesting industrial stories. Take pocket-knives for example. Every man loves

a good knife; yet how few high-priced knives are sold out of the hardware stores. There is a knife made over in England that nearly every first-class American hardware store carries in stock. I say carries in stock advisedly, for they rarely sell any. This knife is one of the few that has a hand-forged blade. You can see the marks of the hand-forging around the hilt — if a clever salesman points it out. Over in the English town where these knives are made the men who work in the knife factory are recognized at a glance by the bulging muscles of their right arms and shoulders, which show plainly through their jackets — and must be the despair of their tailors, if tailors they have. Isn't there a great selling story in this? There surely is, but I'll wager no knife-buyer ever heard it unless he has bought a knife from my friend Tom Williams, of Toronto, who told the story to me. For the life of me I don't know why a hand-forged blade will sharpen lead pencils or trim boot-thongs any better than any other kind of blade, but hanged if I would n't buy a hand-

forged blade in preference to any other kind, if I had the price — and so would lots of other charter members of the great American buying public.

There is one more point to be considered: How are you going to tell what you know? You become letter perfect in what you want to tell your customer about a certain article. You can do that easily enough, but are you sure you can tell your story in the most convincing way? If I were a retail salesman, I would n't be ashamed to practice before the mirror. Better men than I have done it in less worthy causes. And if I had the chance, I'd spill all of my talk into the recording horn of a phonograph and listen to the phonograph while it told me how bad a salesman I am. I'd keep doing that until I had improved.

III

"ANYTHING ELSE TO-DAY?"

"Now that you *ask* his name I can't think of it to save my life, although I know the name almost as well as I know my own." I wonder if you have ever had to make that admission to any one or whether any one has ever made it to you. Point-blank questions that call for an immediate and specific answer sometimes have a queer way of defeating their own purpose.

When a tearful little boy is sent back to the grocery store by his indignant mother because he forgot to get anything but sugar, although she had expressly instructed him to fetch both sugar and tea, it is my belief that nine times out of ten the grocer is to blame.

It was n't the ball-game with those boys over on the next street, as menacingly charged by his mother, that drove the tea out of the little boy's mind. It was n't that at all. It was

because the grocer, after expertly snapping off the wrapping-string and giving a final affectionate pat to the package of sugar, peered over his spectacles and said to the little boy, "Is there anything else to-day?" The little boy probably scratched his head, scraped his feet on the floor, and tried to think very hard. Meanwhile the grocer drummed the counter with his fingers and acted as if he'd like to get rid of the little boy, so he could go back behind the flour sacks and hunt for "fresh-laid eggs" with a candling outfit or look over the canned goods and pick out the "swells" which the jobber's salesman had authorized him to ship back for credit. Finally the little boy's memory went absolutely blank and he said faintly, "No, sir, I guess that's all."

Suppose the grocer had pushed the sugar across the counter and said, "There's the sugar; now I wonder what else your mother wants to-day." The little boy would probably have said, "Oh, gee, I 'most forgot. She said some tea, too; the kind she always gets."

Perhaps you don't believe it would have

made any difference. Perhaps you think the little boy would have forgotten the tea, anyway. I can't prove my contention and you can't prove yours, so there is plenty of room for argument. Most arguments start about things that can't be proved at the time and place of the argument.

My argument is that the question, "Is there anything else to-day?" when addressed to a little boy, is not a suggestive question, while "I wonder what else your mother wants to-day" raises a vision of the little boy's mamma in the little boy's mind and causes him to reconstruct in detail just what she said to him. He remembers that he was going out through the back gate with his catching-glove in his hand, when his mother called to him from the kitchen window. He remembers how regretfully he retraced his steps. He remembers that his mother said, "Jimmie, I want you to run down to the grocery." Mothers nearly always ask their little boys to run when going to the grocery store, but disapprove of "old cat" because there is "so much running in it."

Now let's see. What else did she say? Oh, yes. "The grocer did n't send up any sugar this morning and there is n't any tea for luncheon. Run down and get five pounds of sugar and a pound of tea." That was it. No tea for luncheon and no sugar to put in the tea. Careless of mother to run out of tea and sugar, and chase a guy down to the store when all the other fellows are playing ball, but that's what she wanted — sugar and tea.

Any good lawyer will agree that it is ordinarily easier to cross-examine the witnesses of the other side than to conduct the "examination-in-chief" of your own witnesses. In other words, it is easier to question people and confuse them, make them forget, get them to say what they don't mean, and tangle them up generally, than it is to ask questions that will bring out what they really know. When a lawyer is examining one of his own witnesses and the lawyer on the other side objects to a certain question on the ground that it is "leading and suggestive of the answer sought," the objection defines in legal phrase the most

effective kind of question that can be framed; but the makers of the rules of evidence, distrusting lawyers and witnesses alike, have decided that a lawyer must as far as possible be prevented from suggesting to his own witnesses by the form of his questions the answers that he seeks. This is no doubt a very wise rule, so far as lawyers and witnesses are concerned, but it is not in force outside of court-rooms, although one might be led to believe that retail merchants are bound by the same rule. "Is there anything else to-day?" or "What else?" are not leading questions, nor are they suggestive questions. On the contrary, they are questions that conform strictly to the rules of evidence. They are questions that give you no aid in framing your answers to them. Spoken, as they usually are, in the same tempo as a subway guard's "Step lively, please," they are more likely to make you forget than remember whether there is anything else and if there is, what it is.

"Is there anything else to-day?" is my idea of a perfectly useless question, and certainly a

useless question should never be propounded to a customer. The human mind is instinctively resentful of questions. Even a besotted and shameless drink "moocher" would rather have his victim say, "Come on and take something," than be required to answer the specific question, "Will you have a drink?" Ever since there has been a language in which to ask them, questions have frequently been the forerunners of trouble for mankind. From the somber question which the trial judge asks as he adjusts his black cap and tells the convicted murderer to stand up — from that kind of question down to the icy interrogation, "What time was it when you came in last night?" there are and have always been thousands of questions of ominous import. We human beings have inherited an animal-like question-wary instinct that invariably disturbs in some degree the normal operation of our mental processes when we are asked a question, no matter how innocent the question nor how great our readiness to answer it fully and truthfully. Of course, I have never

looked into a human brain as it was summoned to activity by a question, but I imagine that the brain thoughts come tumbling out to defend the requested information much as the soldiers of a beleaguered city turn out of their barracks to repel a night attack. While the more nimble brain thoughts are rushing out to reconnoiter the question and give battle if it seems unfriendly, memory is likely enough to become panic-stricken in the midst of the confusion and hide the answer where it can't be found by the other brain thoughts if they decide to let the question have it. The foregoing is rather fantastic and probably rather silly, but it is a fact that a point-blank, your-money-or-your-life question will frequently upset the normal working of the questioned person's mind and render him at least temporarily unable to make an adequate reply. Sometimes that is the very thing you want to accomplish, and when it is, there can be no quarrel with the question that brings about the desired result. Such questions correspond in purpose to a lawyer's cross-examination,

and have a very limited field of usefulness in retail salesmanship.

"Is there anything else to-day" can scarcely be regarded as an alarming or confusing question, yet I must confess that several times when I have stood at the counter, ransacking my memory for a mislaid mental shopping-list, this question, crisply put, has obliterated the last vestige of my recollection of the unpurchased articles, and I have as crisply replied, "No, that's all." Perhaps at the next corner I would be able to recall the other things I had intended to buy — with resulting profit to the merchant on that corner.

There is another minor objection to the absurd question "Is there anything else to-day" that I think we should consider before we pass on to the great big unanswerable objection. When you ask a man whether he wants anything else, it is merely an unintelligent way of asking him whether he has any more money he would like to spend. There are few stronger human impulses than the impulse to decline a perfunctory invitation to

spend money. Just the other day I half-unconsciously answered, "No, nothing else," when a salesman briskly inquired, "What else?" although it was necessary to correct myself immediately, for I actually did have another purchase in mind. If you restrict this objection to the possibility that a sale may be lost because the customer says no when he means yes, the objection is n't an important one. But viewed in the broad sense of what is and what is n't good retail salesmanship, I think we are going to find that this far-fetched little objection is closely allied to the big unanswerable objection.

This big objection to "What else?" and "Is there anything else to-day?" in general terms is the same as the objection to "What can I do for you to-day?" The use of such questions by a salesman indicates either ignorance of or indifference to the possibilities of salesmanship. We don't need to be so much concerned with the direct harm that these questions accomplish. That is relatively unimportant. The important thing is that such

questions are useless verbal weeds which choke the growth of salesmanship just as weeds in a farmer's field "kill out" his corn.

The retail salesman who first asked a customer "Is there anything else to-day?" probably intended to indicate an absorbing desire to be of further service to the customer. Sir Johnston Forbes-Robertson could probably speak these words in a way to express that meaning without any suggestion of smirking servility in his manner, but the average salesman cannot. Many salesmen, no doubt, realizing this and being too self-respecting to smirk, have abbreviated the question to a short and imperative "What else?"

There was once a time when retail salesmen ranked as servants in the household of the master tradesman. That time has passed, but many of the selling methods of that period have survived, although the servility of the tradesman's apprentice is somewhat lacking in their modern application. "Is there anything else to-day?" is a survivor of those

times — a sort of paraphrased survivor of "How else may I serve you, sir?"

No modern retail salesman considers himself a servant. As a matter of fact, he is not, and there is no reason why he should speak or try to adapt to his present condition the patter used by servants several centuries ago. While we are on the subject of servants, we might take note that even the well-trained servant has abandoned that hackneyed phrase "Is there anything else?" Since not all of us have servants nicely trained in the minute subtleties of speech and deportment that mark the perfect modern servant, let us on this point have recourse to Sir Johnston Forbes-Robertson's world, the stage, which, however false and fanciful in its teachings, is a preceptor to some of us in matters of which we have no adequate experience in our daily lives. The time was when the well-trained stage servant, after delivering to his master the brandy and soda, or the fatal message, or whatever it was, would click his heels together and ask in a significant way, "Is there anything else, my

lord?" His lordship, between gulps of the brandy and soda, or between sentences of the message, would look up and say wearily, "No, James, that is all. You may go."

Nowadays, if I am not misled by my observations, the stage servant does what he has to do, and then, to use the language of pantomime, "silently registers attention" until his lordship, looking up from the message or over the brandy-and-soda glass, discovers him and says, "That is all, James."

Forgive me for my digression, which I confess was unduly great, as I merely intended to inquire why a retail salesman should cling to a senseless and servile question that well-trained servants no longer use, and which, when unseasoned with servility, quite often has the flavor of impertinence.

No good salesman is either servile or impertinent; nor is he merely an unthinking automaton that mechanically exhibits merchandise, records a customer's purchases, and perfunctorily asks, "What next?"

When I come into your store and buy a

toothbrush from you, it is reasonable to suppose that I am not going to try to conceal my intention to purchase a tube of tooth-paste if such intent is in my mind. It is also a reasonable, or at least a courteous, assumption that I am in just as much of a hurry as you are, and that I will not unduly withhold a disclosure of the next article on my list. If I have other premeditated purchases of your goods in mind, I am pretty certain to indicate it by some word or act. Suppose my eyes stray over to and rest upon the contents of the safety-razor case. For the moment, perhaps, I seem to have become unconscious of your presence. Will you recall my mind from its consideration of safety razors by briskly asking me, "What else?" Will you test the genuineness of my interest in safety razors by asking me whether I want to look at one? Or will you quickly and deftly place a safety razor in my hands and make an appropriate commendatory remark about it? If you are a good salesman, I am sure you will do the last-named.

As long as a retail customer evinces the

slightest inclination to buy, it is the retail salesman's duty to help him buy. Don't question him; don't confuse him; just help him. If he does n't buy as much of a given article as you think he should, it is your privilege and your duty to endeavor to get him to buy a larger quantity, but I don't think it's good salesmanship to suggest such a thing unless you can offer a plausible reason for your suggestion.

An acquaintance of mine, who is fond of playing poker and fonder still of telling poker stories, was relating one the other day. It seems he thought he was playing with a group of solid business men, a delusion that most poker-players appear to have when they enter a game with strangers. The business men turned out to be "shillabers," if you know what "shillabers" are. I can't recall much of the story, but I remember that the "shillabers" tried to "boost" this gentleman and that he flew into a terrible rage and "dropped out of the pot and quit the game."

I am not a poker-player and accordingly do

not know how great an iniquity it is to "boost" any one in a poker game, but I do know that the average shopper does n't like to feel that he is being "boosted" by a salesman, and when boosted, is sometimes inclined to "drop out of the pot and quit the game" before he has completed all of his contemplated purchases.

The salesman of merchandise at wholesale usually has certain more or less convincing arguments for the buyer who proposes to order less than the salesman's estimate of his requirements. A retail salesman should be equally well equipped before he attempts to influence a customer to purchase more than the customer intended.

If I select a toothbrush and the salesman says, "How many?" or "Don't you want more than one?" or "Better let me wrap you up a couple," I think I should call that boosting. But if he says, "You probably don't let your toothbrushes get very old before you discard them. We have exact duplicates of the brush you have selected in case you care to

take several with you now, so that you will have fresh brushes handy whenever you want them" — if the salesman said that I don't think I should feel that I was being boosted. Or if the salesman called attention to another style of brush that could be used to advantage in conjunction with the one I had selected, I should n't call that boosting, either. Or again, if the purchase of half a dozen toothbrushes at one time involved a saving of ten cents over their purchase singly, I should feel grateful to the salesman who pointed out that fact, although my improvidence might prevent me from taking advantage of the saving. Effective or at least inoffensive boosting is the kind that suggests a benefit or advantage to the customer from an increased purchase. If it does not contain that suggestion, boosting is crude salesmanship.

My disorderly mind has carried us away from the question "Is there anything else?" Boosting — if the license of brevity permits that term — naturally comes before "What else?" and should have been discussed in the

previous installment of this series. No salesman, good, bad, or indifferent, will say, "What *else?*" until he has exhausted all of the selling possibilities of the first article the customer inquires about. Instinct teaches every salesman to make a sale or get a final and positive "You have n't got what I want," or "I won't take it to-day," before he asks, "Is there anything else?"

But why should any salesman ever ask any customer whether there is "anything else to-day"? Now we are back on the track again and we are running into a head-on collision with the question, "What else?" Why should a retail salesman ever ask any such question? The answer is he should n't. Now we have had our collision and let us get the wreckage off the track.

Some one remarks that a retail salesman's time is valuable, and that there are lots of customers who would waste it if the salesman did n't hurry them along. A retail salesman's time is valuable. I admit that. But its chief value rests on his ability to send each customer

away not only with a lessened bank roll, but also with an added appreciation of courteous and attentive service.

The mere fact that a man does n't hit you on the nose and make it necessary for both of you to go down to the police station is no sign that you won an argument from him without any hard feelings on his part. Just run for an office at the club or have a bond company ask him whether you use stimulants or narcotics, gamble or live beyond your means, have ever failed in business or made a composition with creditors, etc., and you will learn how he feels towards you — provided you can find out how he voted at the club election or what he said to the bond company. It's the same way with your customer. He does n't have to say "Damn your impertinence" or even develop a well-defined consciousness of wherein your manner and method failed to please him — he does n't have to do either of these things to enable him to go away with the impression that your store is run on the same principle as a subway station; namely, "How many?

Drop 'em in! Step lively!!!" In the long run, a store needs to make its customers like it. It may have the best corner location in town, the best goods and the lowest prices. It may have everything the real estate man could want to say about it in the "Businesses for Sale" column and more than the advertising man can conveniently tell within the limits of his appropriation. A store may have all that, but if some neighboring store excels it in courteous and intelligent salesmanship there are mighty likely to be some months when the treasurer hesitates at taking the cash discounts.

The man who has money to spend has a pretty well-developed idea of his own dignity and importance. He may not show it, but he feels it. If I have the price of a forty-cent collar and am willing to spend it that way, I am just as important — in a forty-cent-collar sense — as any belted earl who ever drew a belt around a lordly waist, and I want to be treated that way, — while I am buying the collar, at least. The most acutely sensitive

man in the world is the man who has money to spend. If he ignores impertinence, indifference, and unintelligence on the part of a salesman, it is because of his feeling of superiority; and what salesman wants to get by on that ground?

But let us get back to your drug store. I have bought a toothbrush — or toothbrushes. Perhaps I have also bought a safety razor. How are you going to know whether I want anything else, unless you ask me? An old lady is fumbling in her purse in a way to indicate the probable sale of a postage-stamp. There is a man at the cigar counter who is looking with interest at the cigars in the five-cent end of the case. A boy with a dirty face and excited manner has come in with a paper that looks like a doctor's prescription. A nervous and emaciated negro, ostentatiously holding a paper dollar in his hand, looks at you furtively. He has the appearance of a "coke" but maybe wants something that you can sell him without violating the law. The man who tends the soda bar is down in

the cellar. The prescription clerk is out getting shaved. You have the toothbrushes in one hand and the safety razor in the other. I stand opposite you and don't say a word. If there was ever a case that justified the question "Is there anything else?" this is it.

What should you say — or do? If I stand silently as described, I think you should wrap up the toothbrushes and the razor. You know it is n't imperative that all of my purchases be wrapped in one package. As a matter of fact, if each purchase is wrapped separately, I am likely to have less difficulty in storing them away in my pockets, and if I should finally decide to have everything "sent," you are out nothing but the extra twine and paper and the time spent in wrapping up the packages separately and waiting for me to make up my mind whether I want anything else. I don't know of any better investment in retail merchandising than this. When you have tied up the toothbrushes and razor and pushed them across the counter without getting a further rise from me, you have the right to

assume that I have no intention of making other purchases, or have forgotten what else I intended to buy, or am maliciously withholding the announcement of such other articles as I contemplate purchasing. If you think the question "Is there anything else to-day?" will recall to my mind some contemplated purchase that I have forgotten, or influence me to buy something I have had no previous thought of buying, or force the disclosure of something I wish to conceal from you, then by all means ask the question.

But, is such a question likely to refresh my memory — let alone stimulate my spending propensities? Lawyers, who are presumably the most expert questioners to be found, dearly love to propound leading questions when they are trying to extract the facts from their own witnesses and are not endeavoring to confuse and confound an opposing witness. As I have said before, "Is there anything else to-day?" is not a leading question, and it suggests nothing to me. If I have forgotten any articles that I had intended to purchase, this question

will not refresh my recollection. I am sure of that. On the contrary, such a question is more likely to have exactly the opposite effect. You will have to frame a different sort of question to recall my vagrant recollection. But need you ask me any questions at this point? A random question is a rather foolish thing in salesmanship. Questions that do not have a well-conceived purpose and fairly well-anticipated consequence would better be left unasked by salesmen.

If I stand silently at your counter after you have wrapped up my toothbrushes and razor, it is fairly safe for you to assume that I have bought all I intended to buy when I entered the store. It is safe for you to assume that you have received all of the voluntary offerings that I propose to give you, and it is up to you to commence to sell goods to me if you want any more of my money.

My purchase of a toothbrush suggests tooth-paste or powder. Possibly you have a new brand that you are pushing. If you have, it will do no harm to tell me about it. If I

assert my fidelity to some other brand, there is no harm in commending that brand, too. I might decide to ask you to wrap up a package of it to go with my new toothbrushes.

Razors suggest shaving-soap and brushes. You might ask me whether I have plenty of shaving-soap at home. I think that would be a fair question. As to brushes, I think it would be better to show me one without first asking me whether I am interested in brushes. You might say something like this, "If you need a new shaving-brush, here is one that I can recommend, because," etc.

If there is anything else that your store or your department is trying to push and which you believe I might be interested in, I think you would be justified in showing it to me or telling me about it, even though the old lady, the nickel-cigar smoker, the little boy, and the negro are still waiting and your associates have not yet returned from the cellar and the barber shop. Of course, you should be guided somewhat by your estimate of your store: that is to say, whether you regard it as an

emergency supply station or as a merchandising establishment. Ordinarily a bird in the hand is worth two in the bush, and if you signify to each waiting customer by a properly emphasized salutation that you are conscious of his (or her) presence, gratified at it, and intend to reward it with your undivided attention in a minute or so, no one is likely to become impatient on the sole ground that you are showing proper and salesmanlike attention to the customer you have in hand. I am not so sure about the old lady who wants the postage-stamp, but she is probably a pretty reasonable old lady, and after you have sold her the stamp with proper courtesy and consideration she is likely to go away in tolerable content.

We have been talking mostly about drug stores. I have purposely kept close to the corner drug store, for the conditions that exist in a busy drug store are about as unfavorable to the application of my theories of retail salesmanship as any conditions that could be imagined. I believe, however, that retail drug

salesmen could with profit to themselves and their employers do more of selling and less of perfunctory order-taking. If this is true of drug clerks, it is more true of most other kinds of retail salesmen.

IV

JUST LOOKING

MILLIONS of dollars are spent in advertising, just to get people to come and take a look. Every department-store advertisement is practically an invitation to come and look. The boss spends his money that way. Silly old duck, isn't he? As long as he has been in the retail business, he ought to know that the people behind the counter have no time for "lookers."

Of course there are several different kinds of lookers. The kind that Ziegfeld has in his "Follies of Nineteen and Yesterday" make more or less of a hit with salesmen — so do the Fifth Avenue kind. But isn't it an outrage that a self-respecting, time-valuing salesman or saleslady should have to be annoyed by a very ordinary woman who has been saving up for a piece of fur or a fall suit since July and comes around in September to look the lines

over, although she knows good and well that she won't be ready to buy before the second pay-day in October? That's the kind of looker the retail sales-people don't like. Am I right?

Dear salesladies and salesmen, your mothers probably saved and scraped and planned for more than one fall suit. Perhaps more than once a new frock for you, dear saleslady, or a new overcoat for you, dear salesman, made extra hard the saving, scraping, and planning for mother's fall suit. In your particular case, of course, I may be wrong about all of this. You may have come from a home of wealth or you may have been self-supporting from the day of your birth. In either case I apologize, but the fact remains that nine tenths of the merchandise sold over the counters of this country is bought by people who have to plan and save before they buy it. In other words, nine tenths of the buying public are lookers. They look before they buy. Nevertheless, sales-people detest lookers — detest nine tenths of their bread and butter, nine tenths

of the boss's profit statement, and nine tenths of the boss's bank balance.

The comic papers divide with shop girl sob-stories the responsibility for a large share of the antipathy and intolerance toward lookers. It's remarkable how we are influenced by jokes and fiction. Take mothers-in-law, for example. A man may have a perfectly lovely mother-in-law and all the mothers-in-law he knows may be pretty nice old ladies, but he ignores his own experience and permits the jokesmiths to prejudice him against all the mothers-in-law whom he does n't happen to know personally. It's the same way about lookers. The joke-makers have taken their fling at lookers, and the short-story writers have brought our indignation to fever heat by the story of how Katie Cooney stood behind the counter from 8 until 5.30 and valiantly stood off the lookers. At 11.59 a particularly crafty and plausible looker nearly tricked Katie into courteous service, but, refreshed at 12.30 by a cup of tea and a slice of toast, Katie came back and snubbed the

lookers to a standstill right up to 5.29. No, sir, never let them win a bet. Then she went home on the Third Avenue Elevated.

Rupert Hughes — dog-gone him! — can make me mad enough to bite a looker. But if it was n't for the way that he and a lot of other writers play on my sentiments and pull at my heartstrings when they tell me about Katie Cooney, I would very possibly wonder whether Katie, if she had taken a little more pains with lookers, might not have become the head of her department and been able to ride home in a taxicab on extremely bad nights, instead of doing a battle for life on the Third Avenue Elevated.

The lookers constitute a percentage which Katie Cooney can't beat. Over at Monte Carlo there is only one "O" on each roulette wheel, but the "O" comes up often enough to upset most systems of play. Think of the odds that Katie Cooney gives! The lookers are nine in ten, but Katie has no use for lookers. She puts all of her bets on the ready-to-buy people.

Now some one rises up and inquires: "Do you mean to say that only one shopper in ten is ready to buy? Why, in my department, I make sales to fully two thirds of the people who ask me to show them goods."

A question like this gets right at the root of the matter. It shows that we don't stop to think what lookers are. Nearly everybody is a looker. I am one; so are you; and so is Katie Cooney, when she finds the time for it. In spite of all that sales-people can do to stamp out the practice, looking is on the increase.

Now about your two thirds who buy when they look; do they buy every kind of article they ask to see? No! Then those who don't are lookers, for people who don't buy everything they look at are lookers. However, we don't need to count the lookers in that way. Let us assume that there are one hundred departments in your store; that ten thousand shoppers visit the store within a given space of time; that on the average each of the one hundred departments is visited during the aforesaid space of time by three hundred peo-

ple who ask to have goods shown; and that in each of the one hundred departments two thirds of the people to whom goods are shown make purchases.

Thus we have ten thousand people who take thirty thousand looks and make twenty thousand purchases. The looks exceed the purchases by ten thousand, and if we divide these ten thousand non-order-producing looks equally among the ten thousand people who entered the store, we make a looker out of every blamed one of the entire ten thousand. Of course, that can't be exactly right, because in the ten thousand there was probably some man who rushed in and matched up a piece of dress goods for his wife, ordered it "charged and sent," and then rushed away again without looking at anything else, except that flashy blonde in the glove department.

No, these figures are admittedly hypothetical, approximate, and inexact figures, but they serve to answer the question asked.

Most of the daily sales in department stores, and in a good many other kinds of stores for

that matter, are the culmination of previous looking, and an immense majority of those who make purchases to-day take occasion to look at other and totally different kinds of articles that they are not prepared to buy to-day, but intend to purchase somewhere at some time.

There is an endless chain of looking and purchasing. The looker of to-day is the buyer of to-morrow.

Nine tenths of the people in this country are lookers because their flat purses promote the prudent practice of looking and comparing before buying. As to the other tenth, if there are that many who need not concern themselves about the price of anything, I really think that most of them are lookers, too, for it must be admitted that there is quite a lot of fun in looking.

The salesman who merely holds himself in readiness to sell to those who are ready to buy is obviously neglecting an important and profitable branch of retail salesmanship; yet there are thousands of retail sales-people who com-

prehend no other function of salesmanship and recognize the existence of no demand that does not manifest itself in the form of a prompt purchase.

Their conception of the law of supply and demand, as applied to retail merchandise, is that a daily recurring demand for their employer's goods will bring to their departments each day a tolerably constant number of purchasers, much as the tide deposits seaweed on the beach. They do not concern themselves with the origin of this demand, nor do they consider what means they can employ to stimulate it or confine it to the merchandise of their respective shops.

They reflect no more on such matters than the farmer who rakes up and carts away the seaweed reflects on the cause of the tides or meditates on means to induce the waves to cast more seaweed upon his particular strip of shore.

Stomachs to be fed, backs to be clothed, vanity to be appeased, beauty to be adorned, and various other human requirements com-

bine to create and maintain that natural demand for merchandise which is the foundation of trade; but no ambitious retail merchant is satisfied with the natural demand alone.

He not only strives to get what he calls his share of that patronage but also seeks to create new tastes, excite new demands, and promote new requirements on the part of the buying public. He says he wants his share of the business in sight. In reality he wants more than his share, for getting more than one's share is what distinguishes success in retail merchandising as in most other lines of human endeavor.

His window displays are intended to make "window wishers" of the passing throng, and his advertising is meant to bring the public to his store as lookers, if not as buyers. He promotes "charge accounts" with responsible people, is graciously willing to send some kinds of goods "on approval," and adopts the generous policy of "your money back if not satisfied." He baits his hook with every lure that his ingenuity can devise and then he drops the

hook overboard and goes away — far away — way up into his private office. There comes a nibble at the hook. A lackadaisical sales-person pulls up the fish, finds it is nothing but a looker, and scornfully throws it back into the water to swim around until it grows into a buyer. If this fish is permitted to develop into a buyer while disporting itself in the open waters of competition, no one knows what merchant's hook will finally catch it. But if the sales-person who drew the fish out of the water when it was merely a looker had taken the trouble courteously to maneuver it into the backwaters of competition by placing it in the firm's private preserve for prospects properly handled, there would not be so much doubt, and perhaps very little doubt at all, as to whose hook would finally transfix its gills.

The boss wants lookers, because he knows the looker of to-day is the buyer of to-morrow, and he wants to make the lookers feel that his store is "the best place to trade," which is only another way of saying that it is the best place to do one's looking. He also knows that

the looker of to-day can sometimes be converted into a buyer before the day is over. All he requires to accomplish what he desires is salesmanship among his sales-people. Does he get it? Not from all of them. If he did there would be less need for commissions to inquire laboriously into the relation between shopgirls' wages and shopgirls' chastity, for real salesmanship will get the money wherever it is practiced and by whomever it is practiced. Real salesmanship is one light that can't be hidden under a bushel. It's a light that can't be obscured. It's a light that will shine above department heads and floorwalkers and reach clear up to "the old man" in his private office, if you keep it burning long enough.

What is salesmanship? No one quite knows. But if you will take care of the lookers, if you will make all the lookers pleasantly remember what you showed them and how you showed it to them when they were merely looking, you will have mastered one very important branch of retail salesmanship.

JUST LOOKING

The other night on a suburban train I sat behind two women who either misjudged the acoustic properties of the car or were indifferent to the fact that they might be overhead. At least I heard their conversation plainly, without conscious intent to become an eavesdropper. They mentioned the name of a certain New York department store. It is a really wonderful store. Yet these two women in front of me were registering an indignant and heartfelt vow that so long as they might live they would never visit the fur department of this store again. They had been in search of some kind of fur garment. By this time my ears were alert enough, but my sluggish brain and unfamiliarity with the nomenclature of the retail fur trade caused me to miss the exact character of the fur garment. However, I heard them reconstruct in indignant terms the inattentiveness (they called it insolence) of the sales-person who "waited" on them. Evidently they were lookers, but if I am any judge, at least one of them was shortly to become a buyer. The saleswoman, with the intu-

ition of her craft, evidently divined that they had not yet progressed to the buying stage. Handling furs on a warm day in October is rather disheartening work, and I suppose this saleswoman said to herself: "These dames aren't ready to buy. What's the use of showing them goods? Let 'em come back when they're ready." She may have been quite justified. Who am I to say that she wasn't? But I'm pretty sure that her house and she lost a good chance to file a lien on a future fur sale.

Speaking of this store, I myself had an experience of the same sort in the very same store just about a year ago. The advertising man was responsible for it. I was thinking of getting an everyday overcoat — the kind of overcoat that gives you no special concern when you get it wet or fall down on the pavement in stepping off a street car. The advertising man took an eighth of a newspaper page to tell about a certain consignment of London ready-made overcoats. The advertisement had the flavor of Conduit Street — of Conduit

Street at the very least. It made one think of honest British yeomen shearing honest British sheep; of incomparable British weaving and — perhaps — of incredibly stupid British tailoring, if one were not wholly robbed of one's discretion by the infinite charm of the advertisement.

I, as a looker, but a looker with the purchasing point of view not over a fortnight away, accepted the invitation of the advertisement and entered this store to examine these wonderful English overcoats and weigh their qualities of fabric, cut, and finish against the tailored products of the amiable but rather high-charging Fifth Avenue gentleman who makes most of my outer garments. The first coat I tried on developed an unseemly open seam on the shoulder; the next crouched on my back in a most singular fashion. There was something wrong with this and something else wrong with that, but finally there was one that seemed almost, if not quite, all right. I was tempted to say, "I'll take it," but after all, why should I say that when I

really did n't need the coat for a couple of weeks and meanwhile might see something better at the same price or something equal at a lower price? I do not know what lack of sincerity or seriousness I exhibited to the salesman, but I do know that he finally said: "That's a beautiful overcoat and fits you perfectly. *If you really want an overcoat,* you could n't get anything better. Of course, *if you don't want an overcoat,* I can't sell you one." Viewed as a question of salesmanship I thought this rather an interesting situation and asked him to send for the head of the department. "What for?" the salesman inquired. "In order that he may decide whether I really want an overcoat." There ensued apologies and explanations on the salesman's part and assurances of appreciation and esteem for each other on the part of both of us. It was all very charming, but I left without buying an overcoat, and I think it would take something like a requisition on this store from a charitable association to induce me to go there again in quest of an overcoat.

There is but one department of this particular store that I now patronize. In this department they have a certain article at a particularly attractive price. When I need that article I go there and buy it. On such occasions I represent natural demand and an open purse. I measure up to the retail salesman's estimate of what a shopper should be, and I am treated accordingly. I shun all of the other departments. In the past I have visited several of them and usually encountered either indifference to or hostility for lookers. Perhaps no one else has had similar experiences in this store. I do not know about that, but I do know that it is never on the list of accounts presented by the official buyer of my household at the month end. Questioned once as to the reason for this, she replied, "There's no occasion to have an account with them because I never buy anything there except a few things that they handle exclusively, and I might as well pay cash because I never go there without knowing in advance just what I want." Her method of shopping in this

store must be a delight to the sales-people, although probably not quite so satisfying to the proprietors.

The unwillingness of retail salesmen and saleswomen to devote much time to lookers rests on several reasons, but not all sales-people have the same reasons nor is there a universal method of manifesting their intolerance of lookers. Let us consider the case of the gentleman who tried to sell me an overcoat. Except for the fact that he was a bad loser and lacked a convincing line of argument in behalf of his goods, this man was a good salesman. Perhaps you smile and say, "Except for that, he was all right, was he?" You misunderstand me, for I really mean that this salesman had a lot of salesmanlike qualities. Most salesmen can tell a looker at a glance, and he probably knew that I was one as soon as he gave me the "once over." He knew the dice were loaded, but he was willing to play. He knew I was merely a looker, but he was willing to pull out as many overcoats from his stock as I would try on. He had no complaint

to make against the loaded dice until after the last throw. Then, to use the language of the gambling fraternity, he "squealed" or "made a holler." He was a man who believed in his ability as a salesman and he was willing to bet his time and labor that his selling skill could convert me from a looker into a buyer, but when he lost his bet he "squealed." Now his skill was not as great as he imagined and he was not in proper synchronism with the advertising department of his store. To him these London overcoats were just overcoats — nothing else. To the advertising man and to those who had been influenced by his advertisement they were something more than that. The advertising man in an eighth of a page of newspaper space had enveloped them with an alluring British atmosphere, but the salesman was too thoroughly patriotic to say anything about an English-made coat that he would n't say about a Rochester-made garment. When I called attention to a gaping shoulder seam, he remarked, "I can't understand it," in a tone which faintly implied the

suspicion that I had possibly ripped the seam open with a knife when he was n't looking. He threw the ripped coat on a chair and said, "Try this one." When his attention was called to the eccentric needlework in the lining and buttonholes of the next garment, "It's an elegant coat, though," was his only response.

What might he have said? Suppose he had said: "Of course you understand about British tailoring. I dare say you have had clothes made over in London and know that English workmanship even in the most exclusive tailoring establishments is not quite up to American workmanship. That ripped seam is an illustration. It might happen to a garment from any tailor shop in London. We insist on the best workmanship that London can produce and we get it, but, notwithstanding that, we sometimes are obliged to have our own tailors go over an imported English garment, as we shall have them do with that coat there. This is the idea, you know; we stand back of the workmanship, and London stands back

of the material and the smartness of the fashion. There are two great sources of satisfaction in wearing one of these coats. First, you know that the cloth is the finest that any loom can weave. Second, you know that the style has just come oversea from London where the really correct fashions in men's garments originate."

Suppose he had said something like that, would n't it have been better than what he did say? Even if I had gone away without buying, would n't I have gone away with a greater hankering for an English coat and would n't I have said to myself, "If you buy an English overcoat, there's the place to buy it and that young fellow is the chap to buy it from"? Would n't I? What do you think?

And when I started to leave without taking the coat, suppose the salesman had said, "I'll be looking for you back again before the first big football game. I know you'll want one of these coats then." If he had said something like that and handed me his card, would n't he have been a good bit surer of getting my

overcoat money on to his sales-book? What do you think about it?

You may say: "Well, a salesman must make a closing talk, must n't he? A salesman who isn't a closer isn't a salesman. He simply tried to make you fall for the rush act and failed. It might have gone over with the next customer. You can't tell." Yes, that's right. He did simply try to make me "fall for the rush act" — very simply. I don't know of anything that's simpler in a "simp" sense in salesmanship than for a salesman to be impatient, or a bad loser, and give a customer the rush act at the wrong time. A jockey who resorts to the whip and steels before he has reached the final half-furlong of the race is usually condemned by experts on racing technique. To have the mount on a "slow beginner" or occasion "to hook with a front-runner and make her quit" are about the only excuses recognized in racing for the early application of whip and spur. They are also practically the only excuses for using the rush act in salesmanship before your customer is

palpably on the brink of buying. In shoppers the equivalent of a slow beginner is the customer who gives you no indication of his preference in respect to the goods you show him. The proper "rush act" for this kind of customer is to center your selling effort on one of the various styles you have exhibited and say to him in effect, "There's the thing you want — right there," and then tell him why. You can start a slow beginner by giving him the same "work" as you would use in closing an ordinary customer.

A "front-runner" shopper is one who is so voluble and self-centered that you can't get a chance to impress upon her mind the good qualities of the merchandise you are showing her. I say "her" advisedly, for a majority of the front-runner shoppers are females, just as a majority of the front-runners at the race-track are mares and fillies. There are two ways to beat a front-runner at the race-track; either "wait for her to come back," which means wait until she gets tired, or "hook with her and make her quit," which means outrun

her with your own mount in order to discourage her from further running on her own account. In salesmanship the better method is to "wait for her to come back"; but a very good rush act for a front-runner customer, if you feel that you must use the "rush work," is to say in a slightly louder tone and with slightly more rapidity of speech than she herself has been using: "Listen, please! Here is something I think you want. Just forget everything else for an instant. Examine this carefully and tell me if I am not right." The proper rush work in salesmanship is pretty much the same no matter when it is applied, just as the whip and steel always feel pretty much the same to a race-horse. But, nevertheless, it makes a lot of difference when you use the rush work — just as it makes a lot of difference when a jockey uses his whip and spurs. Many a sale has been lost by giving a customer the rush act at the wrong time, just as many a race has been lost by going to the whip at the wrong time. My overcoat salesman apparently understood something about the

rush act, for he confined his remarks to the one particular coat that suited me best. But, because he was a bad loser, he gave me the rush work at the wrong time, and I went away and never intend to go back.

We have taken a long time to talk about this English overcoat and the very English method by which an American salesman tried to sell it to me, but I think the incident is worth the space because this particular salesman was willing to spend more time and thought on a looker than many sales-people are.

A reason why some sales-people haven't any time for lookers is because they think they have other more important work than trying to hold the store's patronage. This applies to small stores to a greater extent than to department stores. In the town where I live there is a drug store which announces to the public that it makes a specialty of catering to commuters' morning-cigar trade. I don't know how they handle that trade now because I have transferred my morning patron-

age. But before I realized that getting to the office at a seasonable hour was more important to me than my patronage appeared to be to the drug store, I made a serious and, I think, fairly intelligent effort to become a regular morning customer of this drug store. Somehow, it nearly always happened that the place was empty of customers when I entered it. The clerks were invariably out of sight. Significant sounds from the stock-room and the prescription laboratory indicated their whereabouts and the fact that they were performing various manual duties preparatory to the day's business. The noise of my entrance and the purposeful shuffling of my feet on the floor rarely brought them forth. A half-dollar pounded vigorously on the top of a show-case would produce results, but not immediate ones. First there would be an interval of silence, while each of the two clerks listened to hear whether the other was coming out of his lair to attend to my wants. Neither hearing the other, both would emerge from their respective places of concealment glowering at

each other and exhibiting toward me the same combination of distraction and impatience that a housewife manifests when she comes to the front door with biscuit dough on her hands and flour in her hair. Each seeing the other apparently prepared to enter upon the hateful task of selling me something, both would start back to the places whence they came. A vehement "Who's going to wait on me?" would cause them to turn around again and stare blankly at me and accusingly at each other. Then, after an exchange of instructions about filling this and emptying that, one of them would detach himself from the really important duties of his position and more or less grudgingly hand out the article which I desired to purchase. I really haven't exaggerated.

That sort of thing happened not only once, but several times. Suppose that I hadn't known exactly what I wanted or had merely desired to look at something that I wasn't quite ready to buy. Do you believe that either of those salesmen could have concealed his sense of disgust and indignity?

Having something more important to do is the reason why a good many salesmen have no time for lookers. It is a curious thing that a clerk who is hired to sell goods and keep the store swept out always dislikes to have a customer interrupt the sweeping of the store; the same of arranging stock or the doing of any of the other manual acts that salesmen may be required to perform. There seems to exist a widespread and singularly distorted sense of proportion which places relatively unimportant manual duties above all else. This is not confined to retail salesmen alone. I know a department head to whom the signing of his mail at five o'clock is more important than the deliberations of an executive conference in which the entire policy of his department is at stake. The letters are a tangible thing and the signing of them represents a definite accomplishment, while a question of policy — well, it's just a question of policy, that's all.

Two other causes that prompt some salespeople to dislike lookers are laziness on the part of the sales-people and rebellion against

their lot. It is next to useless to discuss laziness, either physical or mental, so why should we attempt to do it here? Nor is there any reason why we should try to intervene between an unjust fate and its oppression of a discontented or unambitious sales-person. If a salesman wants to quarrel with his bread and butter, let him do so. It would be like interfering in a family feud for us to attempt to dissuade him.

To retail clerks who are not salesmen, lookers will always be abhorrent. To retail clerks who are salesmen, a looker is an important selling problem and provokes neither impatience, discourtesy, nor a sense of injury. As is true of most problems of retail salesmanship, the best way to prepare yourself to handle lookers is to learn your merchandise so thoroughly that you can always talk interestingly and convincingly about it.

If I were a retail merchant I should encourage my sales-people to encourage looking not only in their own departments, but also in other departments of the store. I

would establish reciprocal relations between various departments. For example, I would ask the salesmen in the woman's shoe department to do a little promotion work for the glove department, and *vice versa*. When a woman shopper has completed her purchases in the shoe department, is there any reason why the salesman should not mention some particularly alluring value or style in the glove department, and if madame shows the slightest sign of interest, is there any reason why the shoe salesman should n't say, "If you have five minutes to spare, I think it's quite worth your while to see those gloves. Here, I'll write it on this slip. If you'll give that to any of the sales-people in the glove department, you'll get prompt service." How would madame feel about it? Regard it as an impertinence? No, not if it was properly done, for a courteous act gracefully done is never counted an impertinence, and would n't this, as a matter of fact, be a most effective way of expressing appreciation of madame's patronage? What would the shoe salesman think about it? If he

knew that the number of the slips turned in at the glove department with his initials on them might have something to do with the "old man's" estimate of his value to the store, I'm sure he'd feel at least a little interest in sending lookers to the glove department and such other departments as were put on his list from time to time.

Yes, sir, if I were a retail merchant or a retail salesman, I'd pay a lot of attention to lookers.

V

BUYING

THE easiest way to define buying is to say that buying is the exact opposite of selling. That's the easiest and most obvious definition, but I think it's a long way from the right one. It would be closer to the truth to say that buying is just a form of selling. Why not? When you buy, are n't you selling your dollars for the other fellow's goods? Are n't you trying to sell your dollars at the highest possible price and to the greatest possible advantage? Perhaps you don't always do it, but, if not, you can comfort yourself with the reflection that for every bad buyer there's a rotten salesman, too.

A buyer ought to be a mighty happy fellow, for he is a salesman whose customers insist on buying from him. He can tell them he does n't want to sell—refuse to sell, in fact. He can be as churlish as he chooses, and within cer-

tain limitations he can be downright insulting. He can be snippier than the snippiest salesgirl ever dared to be. He can act as important and independent as the conductor of a passenger local. Any of you who have ever ridden on one of those solid day-coach, sunlighted "Congressional District Limiteds" that stop for ventilation at every station, know that a conductor on a local is a pretty important and independent person. Yes, sir, a buyer can pull all of that stuff — and more — without driving away the people who want to buy his dollars. He can do it if he wants to, and even if he does n't, it surely must be a great satisfaction to him to know that he could if he would.

Before the days of automobiles, 'way back in those good old days when you used to own a "buggy horse," did you ever rise up in revolt against the exactions of the feed-man and drive out on Sunday — or some other day — to get in touch with the actual producer of equine foodstuffs? In those days, if you lived in the right kind of a town, it's almost a cinch

that one afternoon in the eighties or nineties you took the cushion off the back seat of the surrey, put a couple of the feed-store's sacks under the seat, and started off with old Dobbin to rustle up his supper on the direct-from-producer-to-consumer plan.

How did you come out? Tell the truth. Did n't you almost have to beg to get two bushels of corn, although you could see where the corncrib was propped up with green saplings to keep it from bursting out at the waistline, and you knew the farmer had a mortgage on his farm, and was a whole lot more welcome at the grocery store when he had butter, eggs, or cash than when he said, "Just put that in with the rest I owe you"? And what did you have to pay? It's been a long time now and you don't need to be afraid to tell. Don't tell me what you told the feed-man when he came to your stable for his sacks and found them full of corn — full of corn untainted by the middleman's loathsome touch. What did that corn actually cost? Well, never mind what it cost. I won't press you on that point. But

was n't the old farmer a salesman? You probably called him an old skinflint at that time, but in reality he was just a good salesman — a salesman who held on to his corn the same way that a good buyer hangs on to his dollars.

I don't know much about buying. There are people who do, but they know so much about it that they can't explain it to me so I can explain it to you. My friend Harry Leeming is a buyer. He knows pretty nearly everything there is to know about buying. He is the president or something of the Purchasing Agents' Protective Association, or whatever they call it. I bought him a luncheon the other day, expecting to get at least a thousand words out of him. I got ten thousand, but I can't use many of them. You see I don't give you credit for having any more intelligence than I have, and buying as explained by a buyer is entirely too scientific for me.

What I tell you about buying will mostly have to be ideas that I have doped out all by myself. I'm a pretty poor buyer, so you must n't pay much attention to what I say.

One of my troubles as a buyer is that I'm too sympathetic, imaginative, and susceptible. The one thing that helps my batting average as a buyer is the fact that I am of Scotch descent and have a friendly feeling for a dollar. I like dollars so well that I hate to part company with them. That's a great thing in buying. Love for a dollar helps to make a good buyer.

Out in Denver there is, or used to be, a saloon with a lot of silver dollars embedded in the floor. I think every buyer should have a silver dollar embedded in his desk-top, and before he signs an order (unless his concern is insolvent), he should say to that dollar, "Dear Dollar, I am about to separate our bank account from a lot of dollars just like you. I wonder if the thing I'm going to get is worth the price I'm going to pay?" When a buyer propounds that question to his enshrined dollar and fails to get the oracle to answer, "Go ahead, old chap," I think it would be a mighty good plan for the buyer to say to the salesman, "I'm going to take a little time to think this over."

Firstly, I believe that a buyer must acquire the proper respect and affection for a dollar. Of course, that isn't the only qualification of a buyer, for if it were, all the buyers would be Scots or Jews, which, by the way, a good many of them are. And say, would n't you salesmen rather tackle almost any other kind of buyer than a "Mac" or a "stein"?

Secondly, when a buyer buys, it ought to be something that he knows he needs and is sure he won't have to keep unless he wants to keep it. Maybe the buyer does n't know he needs it nor how easily his house can get rid of it at a profit, until the salesman tells him; but if that is the case, he ought to make sure that the salesman is right. Salesmen are occasionally wrong in their estimates of a buyer's need and the public's demand for the goods the salesmen are trying to sell to the buyer. Of course, no real salesman is a liar, but his enthusiasm sometimes proves to be a potent substitute for falsehood. A buyer should never forget that he is ultimately a salesman. He should remember that he is not only selling

dollars, but is also buying something that must be sold again in some form or other. The thing he buys may be a line of tennis blazers for his haberdashery, or a trainload of wheat flour for his cracker factory. Whatever it is, the buyer must consider its salability. How many tennis blazers will his trade absorb and how will the flour taste when made into crackers. Somebody else has probably decided how many crackers should be sold during the next three months, but it's up to the buyer to decide whether this buyable flour will make salable crackers. A good buy will *sometimes* help to make a good sell, but a poor sell *always* makes a poor buy.

I have already said a good bit about buying without giving any one the slightest idea of how to be a buyer. Frankly, I don't know how, and apparently the fellows who do know can't tell. If all the buyers in the world were brought together in a great big musical *ensemble*, they could, without any rehearsals, tear the roof off with that beautiful old folk-song of the purchasing agents' guild, "I don't know

how I do it, but I do." Encore, "I get by when I buy for the sweet bye and bye." Second encore, "Time cures heartaches and buyers' mistakes." (Notice to K. & E., Messrs. Shubert, and other producing managers; also to all publishers of sheet-music and every person lyrically inclined: All rights are reserved in the above titles. I take this precaution because I have always intended to write the book and lyrics for a musical show that would really interest the "tired business men" of Albany and points west, who clog up Broadway and crowd native New Yorkers into the gutter and away from the bars in Times Square.)

I had planned to divide the subject of buying into several texts and preach a little from each. You can see for yourself that I have gone as far as "secondly." But my "secondly" has n't brought us any closer to the point than my "firstly," so I am going to abandon texts altogether. Notwithstanding the fact that people who know all about buying can't reduce the subject to fundamental

texts, I, knowing so little, had thought I might be able to sum up my knowledge neatly and concisely. But I find that I can't, and I am going to wade right into the subject like a hungry negro into a "battle royal."

Excepting women only, buyers stand at the top of the hunted class. The long-continued oppression of any race of people inevitably produces racial characteristics of craft and guile. Likewise the ages through which women have been pursued by men have produced in them certain instinctive tactics of defense. Let it be said, either to the credit of buyers' intelligence or the ardor of salesmen, that a buyer will ordinarily learn in ten years nearly all that women have learned since the day of Mother Eve about the art of mental self-defense.

In some respects buyers and women employ similar methods. I can think of one illustration of this which may have come within the experience of you salesmen. When a woman, without anger or other marked emotion, asks you a question and looks straight into your

eyes while you answer her, you can ordinarily rest assured that your answer — no matter what it is — will not materially affect her heart-beats. But if she cloaks with their lids or turns away her eyes, meanwhile manifesting absorbed interest in her fan, it's a pretty safe bet that her question has a well-defined purpose and that she awaits your answer with some degree of eagerness and suspense. There is a substantial equivalent for this in the conduct of the average buyer. If a buyer looks searchingly at you and asks a pertinent question, such as the lowest price you can make him, the chances are that he is merely accumulating statistics for his card file. But if he toys with a paper-knife and looks out of the window when he asks his question, the probabilities are that you have succeeded in getting pretty close to the last lap of a sale. It is difficult for me to consider buying from any except the selling standpoint, but if I am to become temporarily a renegade and ensconce myself on the buyer's side of the wicket, I feel duty bound to advise

buyers to go counter to their instincts in this and a good many of the other cute little tricks that buyers instinctively pick up. Remember that the hunter naturally studies the habits and stratagems of his quarry. Quite as naturally, salesmen become familiar with most of the "stalls" that buyers use. A buyer who "stalls" is in greater danger of "tipping his hand" to a salesman than he would be if he did n't stall. As a general proposition it does n't pay a buyer to stall.

No, not at all; the foregoing statement is not inconsistent with my admiration for the methods pursued by the old farmer who sold you those two sacks of corn. The farmer did n't stall. He was sincere. He had planted and ploughed that corn; gambled with spring floods, summer droughts, and autumn frosts; stood off his creditors when they wanted him to sell the corn as soon as it was husked; and skimped through the winter without selling a bushel. When you drove out to his place the new crop did n't look promising and those fellows up in Chicago were starting a bull

movement. There was no telling where "corn would go." That old farmer had been through enough to make him place a proper value on his corn and he was reluctant to part with even two bushels of it. If a buyer knows the value of a dollar and is reluctant to part with his firm's dollars, that ingrained reluctance, frankly and unreservedly expressed, is more effective than almost any stall he can use.

If a buyer has a bad liver or an unreliable digestive equipment, or is a natural-born grouch and can't conceal those facts, I suppose he can't be blamed. But if he is able to conceal them from the president of his company, he ought to conceal them from the salesmen who call on him. I am sure there is nothing to be gained by being nasty with a salesman. If you are a sure-enough buyer and love a dollar well enough, the salesman can't make you buy his goods unless they are something that you really should buy. When you are insolent to a salesman it is more than likely to make the salesman think you are afraid of him — afraid he will be able to sell you some-

thing you don't want. The salesman may very possibly say to himself, "Here's another 'bush-league' buyer." You know what he means. Bush-league ball-players do a lot of umpire baiting to cover up "bonehead" plays, just as a good many buyers bluster at salesmen because they have n't worked out the fine points of the buying game and don't know of anything else to do. I don't think you should let the salesmen get you tabbed for a bush-leaguer. If you do, most of them will hand you their bush-league propositions. A buyer may be buying for a bush-league store, but he wants major-league propositions.

I'll admit that it's a lot of fun to offer to fight a Quaker — almost as much fun as telling a *risqué* story to a clean-minded man. It's also a lot of fun to bulldoze a waiter or profanely send an overdone steak back to the kitchen. It's easy to be what Broadway's initiated call a waiter-fighter, but I don't know whether it pays. A friend of mine, who is a retired waiter, says it does n't. Says he,

"Never cuss a waiter and never send anything back to a cook. If you can't eat what the cook sends you, it's better to refuse to pay for it than to send it back. — Thanks, I'll take a glass of Pilsner. — You see you can't ever tell what a waiter or a cook will do to you if you get 'em sore."

Salesmen are almost as dangerous as waiters and cooks. You never can tell when a salesman will be able to do something to you or what it will be. It is well for a buyer to consider that the salesman's house sees the buyer's house through the salesman's eyes, and that the salesman is frequently the arbiter of many of the disputes that arise between the buyer and the salesman's employers. Furthermore, a buyer does n't always succeed in extracting a large amount of immediate satisfaction from bullying a salesman, for there are some salesmen who make a practice of matching insolence with insolence, on the theory that a bullying buyer is a "bluffer" and needs to have "his bluff called." Is that good salesmanship? We are n't talking about

the selling end of salesmanship, but about the buying end of salesmanship, so I shan't attempt to answer the question. However, as a matter of fact, you never saw a salesman being thrown out of a buyer's office or carried out on a stretcher, did you?

Getting right down to brass tacks, a buyer should n't stall, or pose, or try to gratify his vanity, or indulge his domineering spirit, but he should endeavor to impress the salesman as quickly and as fully as possible with the following idea: "We have dollars to sell for merchandise that will make more dollars. Our dollars are the best dollars and are worth more to you than any other dollars in this town because we are the biggest, or the best, or the most aggressive, or the most intelligent, or the most fashionable," — or whatever it is that makes the buyer's dollars the best dollars. In other words, a buyer ought to try to sell his dollars to the salesman just as the salesman tries to sell his merchandise to the buyer. Anybody can huddle up like a moulting canary and listen dejectedly to a sales-

man's talk, but it takes a real, genuine buyer to sell his firm's dollars to a salesman to the best possible advantage.

An order placed with a salesman at the extreme discount and dating, with every concession included, is frequently not a purchase until the salesman's house says, "We accept." In other words, you may put it over on the salesman without putting it over on the house. The best way to draw forth the last drop of discount, dating, and concession from both the salesman and the salesman's house is to make the salesman believe that your dollars are the best dollars in your town — or territory. A buyer should try to put a salesman in a position where the latter believes and writes the following to his house, "Inclosed find order from So-and-So. You will note that I have gone the limit with these people. The reason I did so is because they are the best people in town," etc., etc. Remember, "they all look good, when they're far away," and if you make it strong enough with the salesman, he will probably be able

to make it strong enough with his house.

Of course, there are concerns which have only one discount. You could hypnotize one of their salesmen and get him to play dead or let you stick pins in him without getting better than the "regular discount." There is "possytively nothing doing" on an "extra five," or anything like that, but at the same time I think that the buyer who convinces one of these salesmen that the buyer's house has the best dollars in town may get a little better service for those dollars, even if he can't get a better price. And certainly the best way for a buyer to make sure that the "regular discount" is the "extreme discount" is to make his firm's dollars look big to the salesman. After all, our first text was n't so bad, for we reach an ultimate conclusion which is very nearly "on all fours" with the first text, because we have to admit that a buyer who loves his dollars well enough can describe them to a salesman in such a way that the salesman will go the limit to get some of them. That is enough for the first text, although I have a

suspicion that we shall work back to it again before we are through.

Now to get back to bullying salesmen: while I don't think a buyer should be a bully, neither do I think a buyer should let a salesman get the bit in his teeth. A first-class salesman works up his selling methods and selling talk with a view to their psychological effect, if you want to call it that. Maybe you're not afraid of psychological effects. I am. Any one should be who will pay a premium to Tyson's for theater tickets, sit next to a bad breath, and get worked up to a point where he sincerely hopes the leading man will win the heart and hand of the star, although he knows that in real life the star is the leading man's grandmother. If dramatists and actors can get me going on that kind of proposition, why can't a good salesman get me going on his proposition? He can — if I am not careful. Mr. Belasco can work up to a dramatic situation that will carry you off your feet if you remain silent and attentive, but he can't create a situation that won't fall flat

if you should shoot out an irreverent question in the midst of it. The same method works pretty well with salesmen.

Some time ago a salesman came to us with a proposition of such proportions and so much out of the ordinary that the people downstairs would n't touch it. They sent it right up to the top floor. The salesman who had this proposition in charge was "some" salesman. We had heard of him and we made an appointment with him in the same spirit as a man who was going to fight a duel would assent to the time, place, and weapons. The day and hour arrived. The salesman had so much to show us that it could n't be spread out on an ordinary desk, so we took him to the directors' room and let him set the stage to suit himself. He got us to sit down and then maneuvered himself into a position where he would have the light on us, just as an experienced duelist should. There were two of us and only one of him, but notwithstanding that, we were pretty evenly matched. This salesman spoke with a soft drawl that was

difficult to identify with any particular locality. My associate said afterwards he thought the man was a Southerner. I was of the opinion that he got his accent along the north shore of the Ohio at some place like Shawneetown, Illinois; but it isn't material whether he was Southerner or Northerner, for he was surely a corking good salesman. He did not speak fluently, although it was probably an effort for him not to do so. He interpolated his arguments with quaint colloquialisms, and after he had driven home a point with impressive emphasis, he would sugar-coat it with an engaging smile and some self-depreciative and ungrammatical remark, such as, "'Course, I may be wrong, but it looks thataway to me. You gentlemen know better than me."

To make a long story short, this man had a perfectly impossible proposition from our standpoint. It would have taken thousands of our dollars and it was n't even a good gamble — at least, I did n't think it was before I went into the directors' room that morning nor after I came out. But when I was in there,

inhaling the opium distilled by this human poppy, the proposition looked pretty good. I felt myself slipping. My associate was already stretched out on a cloud. We came very near spilling the beans. Just one thing saved us. I was on the point of being wafted out of my chair and out of my mind like a thistledown, when I noticed that great beads of perspiration were breaking out on this salesman's forehead. It was a chilly morning and the steam was n't on in the directors' room. In spite of his easy and ingenuous manner this salesman was using the last ounce in him. After all, he was only a salesman — a very good salesman, but a very human and commencing to be a very sweaty one. The spell was broken and we commenced to ask him questions. When he seemed to be approaching a climax in his argument, we interrupted him with a question and made him answer it before he proceeded. At the first question, he looked annoyed, at the second he stammered, and at the fifth he commenced to gather up his papers.

There you have it. Don't let a salesman pull off his sales talk in exactly the way he has it planned; spoil his climaxes just as a piping voice from the gallery sometimes spoils an intense and convincing dramatic situation on the stage. But don't ask obvious questions, because a good salesman is usually ready for them. He generally has a version of his selling talk that will turn any such question to his own advantage. When you ask a salesman a question and he says he's glad you asked it, but nevertheless goes ahead with his regular line of talk without answering the question, don't let him get away with it; stop him and make him answer the question at the point where you asked it.

When a buyer is up against a good salesman, he should break up the salesman's attack at frequent intervals. Interrupting the salesman by asking non-committal questions is one way; another is to check him on any line of talk that does not interest you. If a buyer, like a judge in speaking to a lawyer, will say, "Mr. Salesman, pass on from that

point to any other you care to present," it will ordinarily throw the salesman out of his stride and strip off the artifices of salesmanship. Don't let a salesman feel that he has got you going. You can't prevent him from feeling that way by looking out of the window or yawning. He is familiar with that sort of thing, and if you let him get in all of his talk just as he has it rehearsed, the average salesman has enough confidence in himself to believe that you can't help being impressed. If you want the best a salesman has to give, you must not let him think he has made an impression on you, and the surest way to prevent it is politely to obstruct his efforts to marshal his arguments in the order and manner which experience has taught him to be almost unfailingly effective. Remember, it is n't so much what you think as what the salesman thinks you think that precipitates the bargain which you seek.

Suppose we now try to work around to our second text. A number of years ago, I was in Kansas City and ran out of clean shirts. I

visited the shirt department of a large clothing store. They had a large quantity of shirts in my size, but not a single pattern that I could wear. Honestly, you never saw such a bunch of shirts in your life. Finally, I asked the salesman if he had anything to do with the buying. In heartfelt tones he answered that he had not. Pressed a little further, he explained that the buying was done by a member of the firm. "He's the closest buyer in Kansas City," the salesman proudly asserted; "but he's so busy that after he gets the price where he wants it, he doesn't have much time to pick out the patterns." I'm sure that most of the stickers are bought by buyers who spend so much time getting the price where they want it that they don't have much time or energy left to "pick out the patterns." If a buyer does not keep constantly in mind that he is buying to sell again, and that the ready salability of the article bought is as important as the price paid, he is pretty certain to buy a good many stickers. A buyer should be something more than a skillful swapper of dollars

for yards or pounds or dozens of merchandise. Many a retail store with a good location and a top rating in the credit guides is held back by its buyers. A buyer ought to think of merchandise in terms of style and salability as well as in figures of dollars and cents. If a buyer has n't good taste, if he does n't know the styles of to-day and is n't a pretty accurate guesser of the styles of to-morrow, he is n't a good buyer — provided, of course, that style counts in the things he buys.

It is natural for buyers to place price and delivery above all else. They are important things, of course, but a buyer can make some dreadful mistakes if he becomes too much absorbed in these two points. That this is true of the buyer who purchases goods for a retail store or a jobbing house is so obvious that it requires no discussion here. It is also true of the purchasing agent of a manufacturing concern. I know a buyer who every day visits every sales department and every manufacturing department of the concern for which he buys. With his ear to the ground in every de-

partment he is able to plan his purchases with a full knowledge of what is happening and a pretty fair conception of what is going to happen. He does n't depend on his shop order files alone, and I think he has saved many a dollar by his method. Not every purchasing agent finds time to do this. I know of one who devoted all of his time to studying materials, prices, and deliveries. No one could buy more cheaply and no one could get the material into the factory on a more satisfactory schedule than he. Yet he caused his company to be mulcted to the extent of one hundred thousand dollars in a single damage suit against it. The way of it was this: His company was using a certain material in large quantities; he had maneuvered the price down as low as he could get it. According to his conception of his duties nothing remained for him to do except to get better deliveries. In his characteristic way he went after the manufacturers of the material on the question of delivery, with the result that they greatly increased their manufacturing capacity. It was a fine

piece of work on his part, but unfortunately he had failed to inform himself that the engineers of his own factory were developing a new material which would render useless to his factory the material about which he was so much concerned. Perhaps it was n't entirely his fault, but the fact remains that the damage suit would not have been brought if he had kept a trifle more closely in touch with the other departments of his own company.

No, it is n't easy to be a good buyer, and I don't think any one can tell a man how to be a buyer. Certainly I cannot. Disputing a salesman's statement that he has made you a low quotation, excusing yourself to a salesman who has nothing to interest you, getting rid of a salesman when he is done and does n't know it, are questions of etiquette rather than of buying. You know as much about etiquette as I, and very probably you know a good bit more about buying than I do. There are only a few things about buying that I know. One of them is that if you love a dollar you are cautious in your buying, and cau-

tion is a quality that every good buyer must have. Not long ago a salesman came into a factory to sell some files. He did n't ask for a large order until his files had been thoroughly tried. He merely suggested that the buyer place an order for a "sample lot" of the files. The buyer was willing to do that, but he wanted to know just what the samples were going to cost. A hasty calculation showed that the "sample lot" of files which the salesman wanted him to order would cost over a thousand dollars. He did n't buy. I am informed, however, that several buyers did order "sample lots" of these files. You would n't believe it possible in these days of signed and countersigned buying orders, but I suppose the unwary buyer authorized the purchase of the "sample lot of files" and subordinates filled in and footed the prices. A buyer who really loves a dollar would not buy a "sample lot of files" without knowing their exact cost. True affection for his firm's dollars has checked many a buyer on the brink of a disastrous purchase.

We are back to our first text again, and I think we shall always find that in one form or other the love for a dollar enters into every phase of buying. Even when a buyer forces himself to remember that salability is as important as price, he does so because he thinks too much of his dollars to part with them for goods of doubtful selling quality. Yes, sir, the advice, and about the only advice I can give a buyer, is to learn truly to love his firm's dollars.

VI

GETTING YOUR MONEY

Most of the adventure was squeezed out of the collection business in 1898. I am pretty sure of the date, for my youthful zeal as a collector brought me several croppers before I got accustomed to the Federal Bankruptcy Law. It was in 1898 — I am fairly certain of that.

The Bankruptcy Act works against a collector a good deal as ground rules operate against a batter. It is discouraging to walk up to the plate and bat out a home run and then be anchored at second base by ground rules. It is equally discouraging to travel all night on a local train, snatch a hasty breakfast at a country hotel, rush over to your debtor's house before he has started down to the "store," threaten and cajole him into a security settlement — and then, one hundred and nineteen days later, have to surrender your security to the trustee in bankruptcy

because three kid-gloved creditors, who never missed a single luncheon at their club, got together over a cocktail one day and decided to have your man thrown into bankruptcy.

The Bankruptcy Law is a terribly unjust law if you happen to be the most alert creditor. On the other hand, if you chance to be one of the creditors who were asleep at the switch, the Bankruptcy Act is a beneficent feature of modern commercial law. However, it presents a sort of difficulty now, because this is intended to be an instructive article, and I hesitate to introduce any of those picturesque and semi-lawless achievements that stud the careers of most of the old-time collectors. I am afraid that you would not regard as instructive a discussion of how an insolvent debtor can be choked into giving a collateral pledge or a chattel mortgage. The incident might be interesting but it would not be instructive, since your debtor, when he had recovered his breath and instructed his lawyer to cause your arrest for assault and battery, would probably be advised to go into bank-

ruptcy and have your pledge or mortgage set aside. Lawyers know that the deepest revenge an insolvent debtor can visit upon a diligent creditor is to rob him of the fruits of his diligence by going into bankruptcy.

Nowadays collection diligence in respect of a wholesale account is likely to prove largely unavailing unless a considerable degree of credit diligence has been constantly exercised from the inception of the account throughout each succeeding transaction. The collections of a manufacturer or jobber are for the most part mere incidents in the daily routine of an alert and well-organized credit department. It is only when a cog slips in such a credit department that a wholesale collection detaches itself from its credit mooring and floats out as a derelict, to be salvaged by the collector or adjuster. With retail collections it is quite different. The retail credit man ordinarily has fewer authoritative sources of information about a prospective customer, less time in which to avail himself of them and — most important of all — practically no means of

keeping so intimately informed about a customer's pecuniary affairs that a failing financial condition can be detected before the customer has become notoriously delinquent. In a sense, a retail credit may be said to become a collection the instant it is made. That is the greatest distinction between the two; good wholesale collections depend chiefly on good credits, while in most retail stores good retail credits depend principally on good collections.

This brings us to what I am trying to write about, namely, collections — irrespective of whether they are wholesale credits gone wrong or retail collections that prevent retail credits from going wrong.

Naturally a definite due date is an important factor in collection work. One of the most dangerous things a credit man or merchant can do when he extends credit is to say — or intimate — that the time of payment will be permitted to coincide with the customer's convenience or any other event that is the least uncertain in point of time. In extending credit

to a mechanic, I should much rather have his agreement to pay me a dollar per week for fifty-two weeks than his promise to pay as quickly as he can — even though a literal performance of the latter undertaking would probably result in an earlier settlement of the debt. In opening an account with a Mississippi merchant, I should much rather have his definite promise to pay on December 1 than an agreement to pay as soon as "cotton commences to move," although cotton usually commences to move before December 1. In collection-making, as well as in credit-making, it is important that the time of agreed payment shall always be determinable by the calendar. Next to an absolute refusal to pay at any time, an insolvent debtor's promise to pay when he is "able" and the collector's impotent acceptance of that promise mark about the most hopeless form a collection can assume. I should rather take from an insolvent debtor an unsecured note due on a definite future date than his promise to pay when he is "able," even though neither of us had any

good reason to believe that the note could or would be paid on its due date.

When a note or account becomes past due and has entered the precarious state, a creditor should make up his mind very promptly whether he wants to bring suit or whether he does n't. If he does n't, he should keep the obligation as crisp and fresh as possible. If he takes a note, the creditor, of course, wants security, but a future-due note without security is better than a past-due obligation on which the creditor is unwilling to sue.

I do not have in mind alone the acknowledgment of a debt that ordinarily results from the giving of a note. Greater than that are the benefits to a creditor that frequently follow the execution of a promissory note or other negotiable instrument by a delinquent debtor. Although scarcely a typical illustration of what I have in mind, I am moved to relate the very remarkable result that was once produced by a St. Paul tailor's determination to change the status of a certain delinquent account. The debtor in question was

a sort of promoter who had become indebted for a suit of clothing. The repeated presentation of the account by the tailor had brought no payments of any sort. Finally he decided, as distracted creditors frequently do, that "something must be done." He so informed the promoter and concluded this emphatic declaration with the heartfelt question, "Can't you do anything?" The promoter was not impressed. In fact, he was rather amused, and, to show both his amusement and unconcern, replied, "I might give you a sight draft on the Czar of Russia." The tailor, through a politic desire to show his appreciation of his debtor's humor or else because he was too much discouraged and exasperated to care what he said, replied that he would accept a draft on the Czar rather than let the account remain in its present condition. The promoter, although he had no claims upon nor credit or acquaintance with the Czar, proceeded to prepare a draft upon the "Little Father." The tailor, feeling perhaps that the debtor's fantastic act constituted at least an

acknowledgment of the debt, took the draft and went on his way. A series of circumstances not necessary to relate here resulted in the draft being deposited in the tailor's bank, whence in due course it arrived in Russia. The promoter had entirely forgotten the incident, when a couple of months later he received a communication from a bureau head at St. Petersburg, containing the information that while his draft had in that instance been paid, he must in the future refrain from making drafts upon the Czar personally, and must instead make requisition on the writer of the letter, such requisition to be accompanied by a full explanation of the services covered. This story is vouched for by a prominent and, I believe, truthful member of the Minnesota Bar, who had an intimate acquaintance with the drawer of the draft.

Perhaps it does n't much matter whether the story is true. If it is true, it does n't prove anything, unless we want to accept the theory that Providence is on the side of the creditor who refuses to let his accounts grow stale.

However, I believe that one of the most important things in the collection business is to get your debtor to "do something" — for, if nothing else can be done, it is important to keep him alive to the moral obligation that rests upon him. This phrase, "do something," appears quite frequently in dunning letters, and is often used by collectors in their oral interviews with debtors. It is a good underlying motive for a collector to have, but it should not be defined in such general terms. The something a collector wants a debtor to do should be definitely in the collector's mind and approached with all of the adroitness at the collector's command.

A creditor always knows what he most desires a debtor to do. He wants the debtor to pay in full. If he can't have his first wish, he should know definitely what his second wish is and work definitely toward its accomplishment. A substantial part payment is usually the creditor's second choice. Then comes security for the entire debt. And finally, if nothing better can be obtained, and the credi-

tor does not care to invoke the aid of the courts, an unsecured note is probably the creditor's best remaining alternative — and last, but not entirely to be despised, just a plain, ordinary, honest-to-goodness promise to pay on a certain date.

A plain appeal for a plain but definite promise occasionally has gratifying results. I remember that one December, about ten years ago, I decided to send a New Year's greeting to a lot of debtors whose indebtedness we intended to wipe off the books as uncollectible at the then fast approaching close of our fiscal year. The letter which we sent was pronounced by my superior officer, "About the silliest thing I ever saw." It started out with a more or less poetic reference to the dawn of the new year. We proceeded on the assumption that delinquent debtors are particularly conscious of their indebtedness on January 1, although I do not believe they are, nor that the emphasis laid on this point had anything to do with the success of our letter, except as it afforded a slightly different and

decidedly less peremptory introduction than is found in most dunning letters. The important money-getting paragraph in this letter proved to be the following: —

"From what we believe to be true of you as a man, the fact that you have not paid us can mean but one thing, namely, that circumstances over which you have had no control have prevented you from paying. It would be an impertinence for us to inquire into those circumstances. They are a part of your own private affairs. All that we ask of you now is that you tell us when you will pay. If you name a date when you will pay, we know you will do it. Your statement of the exact date upon which we may expect payment will be helpful to us because we have the same problems of raising money that you have. We are a large concern, to be sure, but for the same reason that a farmer keeps no more horses in his stable than he needs to plough his corn, we keep no more money in our business than we actually need. Therefore when you write us when you will pay, a little cash

will also be appreciated if you can spare it now, etc."

You can't blame the man who called this a silly letter, yet it brought several hundred dollars in cash and promises that ultimately netted several thousand dollars. One of the latter was from a gentleman who had been discharged in bankruptcy. He said: "I guess you don't know I'm an adjudicated bankrupt and don't owe you a cent under the law. If you did, you would n't write me that way. I don't have to pay you, but I will on May 1." He did. Another gentleman from the "Blue Grass," who had impoverished himself through his fondness for race-horses, wrote: "I've never welshed yet. I'll send you the money by July 1." He sent part of it then and the rest later. Yes, sir, I'm a great believer in a promise that names a definite date of payment, no matter who gives the promise.

If I could announce a method that would unfailingly extract cash or security from debtors, — good, bad, or indifferent, — this

would be a very valuable article. In fact, if I had any such method, I doubt if I should be generous enough to disclose it here. But I can give you some of my theories about the technique of collection-making. You must take them for what they seem to you to be worth. The most that I can say in support of them is that I have practiced these theories with some success.

When a collector tackles a delinquent debtor — either by correspondence or in person — I believe he should proceed on the theory that he has something to sell to the debtor. If you have read the preceding chapters you already know that I regard *buying* as the *selling* of dollars. I am equally convinced that *collecting*, when truly defined, is simply another form of *salesmanship*.

What is it a collector can sell to a delinquent debtor? Perhaps the answer depends to some extent on the kind of debtor. I don't mean by this the debtor's character or temperament. I have encountered a good many different debtors and I have n't the faintest concep-

tion of the characters of any of them — not even the worst deadbeat among them. When I say the answer depends on the kind of debtor, I mean that it depends on some such thing, for example, as this: whether the debtor is execution- and garnishment-proof; or is a solvent farmer who has stood off the grocers and implement dealers through so many crop failures that he has become habitually slow in paying his debts; or is a person who imagines himself so rich and powerful that a tradesman's unpaid bill has no significance except that the debtor has n't time to check the bill and sign a check. Those are a few of the several types with which a collector may have to deal.

Let us consider the execution- and garnishment-proof man. "Bullet-proof" and "bomb-proof" are phrases that are frequently applied to him. What can the collector sell to such a debtor? There are several things, but all of them are specialties, and the collector has to work up their sale as carefully as the specialty salesman develops a purchaser's interest in

his goods. Some of the things that can be sold to a bullet-proof debtor in exchange for his reluctant dollars are self-respect and vanity. I have encountered a good many debtors who were not commonly regarded as possessing much self-respect, but in most cases it proved that some semblance of self-respect could be aroused within them. A collector has the considerable advantage over a salesman that he need not be entirely sincere, while a salesman should be entirely so. If a collector's approach to a debtor is marked by a distinctly cordial and friendly manner, the debtor is usually disposed to accept the collector's deportment as truly indicative of his state of mind. On the other hand, a buyer is inclined to suspect that excessive courtesy, or more than ordinary geniality, on the part of a salesman is assumed for the occasion, and he is more likely to be annoyed than impressed favorably.

Personally, I am a great believer in giving a debtor a hearty handshake when I introduce myself to him. If a male and not one whose age or station would make such a familiarity

in bad taste, I like to use the old-time exhorter's method and put my left hand on the debtor's right forearm when I shake hands with him. I have had that sort of thing done to me, and I positively loathe it, but with the average debtor it seems to be one of the most conciliatory and confidence-inspiring things a collector can do.

It is a mistake for a collector to hem and haw about his mission. When he is shaking hands is the time to declare it. If he does n't, the handshaking is n't much good. When I was actively engaged in collection work, my favorite — and most successful — opening speech was this: "I'm Maxwell of the So-and-So Company. I've got that little account of yours with me. Guess you overlooked it — or something. Anyway, I guess you don't generally let an account get in the past-due file this way."

That does n't sound like much, but it represents some experience and a good deal of study on my part. First of all, it is man-to-man talk without any frills — and, by the

way, "reckon" should replace "guess" when one gets south of the Ohio River. In the second place, this greeting contains no implication of reproach or lack of confidence, but does imply that you have a good opinion of the debtor which you confidently expect he will fully justify. In the third place, this kind of approach puts it up to the debtor to explain everything to you. In my days as a collector, no debtor whom I had approached in this manner ever came back immediately with a flat refusal to pay; this despite the fact that I have worked on a good many collections where breach of warranty was claimed or some other disclaimer of indebtedness was made.

In my judgment it is important that a collector should encourage a debtor to talk, and that the debtor should divulge his entire list of excuses — or grievances — before the collector commences to do his talking. A good collector is always genuinely sympathetic when a hard-luck story is told. He can be that without being any less resolute in his deter-

mination to get an immediate cash settlement. Likewise, if the debtor disclaims indebtedness, the collector should be capable of listening patiently and attentively to the debtor's attempted justification.

I remember that a good many years ago I was in a little town in southern Illinois, collecting for a harvester company. For several days I had been driving out among the farmers. Finally I cleaned up the county except for one dilapidated old note which had reposed for several years in the collection files of the local attorney. One rainy Saturday afternoon I asked for the note. The lawyer laughed at me. "Nobody can collect that note. I've tried it, and three or four collectors before you have tried. As a matter of fact, the fellow does n't owe it. You people took the binder away from him over in Indiana without due process of law, sold it for $12, and now you're trying to collect the balance. This fellow is a jackleg carpenter around town here. He just makes enough to live on, and he could n't pay if he wanted to — which you

can rest assured he does n't want to do. Furthermore his wife is a virago and is liable to throw boiling water on you if you go down there."

While this was not an alluring collection, it was in the line of duty. I found the man in his henhouse, where he was repairing the roosts. He was not anxious to talk about his indebtedness, but appeared quite ready to quit work. The silencing of his hammer strokes soon brought his wife upon the scene. She proved to be all the lawyer had said about her. She called my company and me all of the names that a chaste woman could well include within the limits of her vocabulary. I am not certain that she did not exceed such limitations. With hat in hand I listened fearfully but, fortunately, with a most respectful manner. At the conclusion of her tirade, withdrawing a threatening and formidable fist from the near proximity of my nose, she remarked with a sigh of relief: "You are the only one who would listen to me until I got through. Now you know what I think of you.

We've got eighty dollars in the house. If you want that, you can have it, just because you're the first one that's ever come around here and treated us like we was white folks." Thus, practically without saying a word, I made a comparatively good-sized collection on a tolerably worthless claim — so worthless, in fact, that the local lawyer disbelieved my assertion that I had collected eighty dollars on it, and neglected to claim his commission.

When a debtor has had his say is time enough for the collector to start in. A pretty good way for a collector to commence when he has heard the debtor's story is to say: "I knew there was something like that or you would n't have let this thing run the way it has." This satisfies the debtor that his statements have been taken at their face value. He has had his say and relieved his mind. He is hardly in a position to turn an unheeding ear to the collector's remarks.

Suppose a debtor claims he does n't owe the debt. After the collector has heard the debtor's statement, it is up to him to say in effect:

"I know exactly how you feel about this. You want to be fair and square, and so do we. The trouble with both of us is that neither of us can look at this proposition the way a third party would, and the trouble with third parties is that when you get twelve of them in the jury box and another up on the judge's bench, it costs both sides a lot of money to find out what disinterested third parties are going to think after all of the facts and law are brought out by a gang of high-priced lawyers. Then, if the fellow who loses the suit is dissatisfied and wants the higher courts to pass on the case, there is a lot more expense, not counting the time and worry and bother. You can get plenty of good lawyers who will advise you that you can beat us in a suit. We can probably get just as many who will advise us that we can beat you. They will all be honest about it, too, but in the wind-up you and my house will have some good big bills to pay, no matter which way the case goes. If there was n't anything involved but dollars and cents, my house would a good deal rather com-

promise with you than bring a suit. They know there's no money in lawsuits. So do you and so do I; but here's the point: My house can't afford to lie down on a proposition like this. If they did, it would be talked about all over the country in no time, and, as you can readily appreciate, it is better for them to carry a case to the Supreme Court — even if they finally lose it — than for them to lie down. You know what I mean. Now, what do you say to this: Before either of us starts in to buy law, suppose you and I try to forget that we are interested in this case, and see if we can't look at it just as if we were a couple of jurymen. We won't argue with each other, but we'll take up each point and discuss it from both sides, and try to make up our minds how a jury or the Supreme Court would look at the case. What do you say?"

With variations I have used this line of argument in the attempted adjustment of a good many disputed claims. I have n't always succeeded in getting the desired adjustment, but I have never failed to get a disputatious

debtor to open his mind to an unheated and fairly intelligent consideration of my side of the case. What is it that the collector sells to the debtor in this instance? Partly self-respect, partly vanity, and partly something else. Self-respect, because no self-respecting debtor can preserve his dignity and decline a courteous and tactful challenge to put his cards on the table. Vanity, because you give him credit for being a fair-minded man and ascribe to him all of the knowledge of the courts and litigation that you yourself possess. To justify your opinion of him he is virtually obliged to join you in your proposed judicial consideration of the disputed debt. As to the other things you try to sell him, one is the conviction that he is in for a lawsuit if an amicable settlement cannot be effected. You don't threaten a suit; you merely treat it as an inevitable, regrettable, and unprofitable necessity unless you and he can avert it by making a friendly adjustment. Few men enjoy lawsuits, and if you deprive the average man of all excuse for a heated discussion of his

case or emphatic prophecy as to its result, his enthusiasm for litigation is likely to depart as rapidly as the joyousness of a belated reveler when overtaken by a chill November dawn.

Now let us come back to the man who alleges no defense, but has a great many excuses — the hard-luck man. You tell him you know he wants to pay and intends to pay. You did n't understand why he had n't paid until he told you why. Now you know; his excuses are perfectly good; no apologies are necessary; you will explain it to the house so they will understand it as well as you do. Everything is all right up to date, but now a time has come when the house is asking for money and is depending on you to get it for them. What excuse can you offer for not collecting this account? None whatever. If you can't collect this account, you've got to admit that you're a mighty poor collector. Here's an account that is absolutely good. Anybody would be glad to have it in their books. How can you go back to your house and admit that you couldn 't collect it? That the man has n't

got the money won't go as an excuse — not unless he is the kind of man who does n't stand well enough among moneyed people to raise a few dollars when he runs a little short. "Listen, Mr. Debtor, you know there is no excuse I can give them for not collecting from you."

It is probably unnecessary to continue this hypothetical conversation. It is enough if I have made clear what I mean when I express the opinion that a collector should try to sell self-respect and vanity to a debtor.

Once I had a traveling collector down South who could n't collect from negroes. I had written him how to do it. Finally he wrote me, "Maybe you can, but I can't." That "maybe" got under my skin, and I got on the train. When I joined out with him, as they say in the circus business, he had a case ready for me. It was a debt against a black man, named Sam Jackson, described by local authorities as "the most no-'count nigger in this State. He married a yellow gal that used to work for the Carters. They got a little place

worth about eight hundred dollars, but she won't sign a mortgage."

We went out to see Sam and found him working for wages — far below the wage exemption. "Yessuh, I'd pay if I could, but I just naturally kaint. Security? How I gwine give security? My wife? Yessuh, I'm just the kind of a man you-all gemmen says I is. Yessuh, I aims to pay, and if you kin git Lucella to sign a mortgage, I'se perfectly willin', yessuh."

We returned to town and hired a handsome surrey and two handsome gray horses. We did not take a negro driver. Alone we drove to see Lucella. Flattered she undoubtedly was, although scarcely enthusiastic about giving a mortgage on their little farm. The pleasurable experience of driving back to town on the rear seat of a surrey with two "white gemmen" in the front seat finally overcame her reluctance to come face to face with the mortgage question. We picked up her husband and started back to the courthouse, meanwhile asserting and reasserting our con-

viction that within her heart dwelt that fine sense of the obligation of a debt which distinguishes the high-class colored person from the ordinary negro. Unhappily, however, our ignorance of local geography permitted us to drive past the Carter mansion, and Lucella insisted upon alighting and consulting Miss Hallie. With heavy hearts we continued with Sam. We prepared the mortgage and awaited Lucella's arrival. At length she came, distinctly defiant. "Miss Hallie says I ain't got no call to sign no mortgage."

"Dats allus the way with a woman," Sam sagely remarked.

He thereby gave us our cue. "Lucella, have you less pride than Sam? You've been raised as well as he has, have n't you?"

I placed a pen in her unwilling hands.

"No, suh, I just ain't going —"

"I knew you would, *Mrs. Jackson.* You sign right on that line there."

She signed, and the court official cynically took her acknowledgment of her act and subsequently remarked, "I'm mighty glad some-

body can make those two niggers do something."

Instead of inspiring my collector, I caused him to resign, for he said that he would never call a negro woman "Mrs." Personally I don't think it was the "Mrs." alone that induced Lucella to sign the mortgage, although the use of that word no doubt had a part in the final result. I tell the story because I think it illustrates how vanity can be sold to a debtor. Perhaps it will interest you to know that we permitted Sam to pay the debt as he found it convenient and that Lucella probably still lives in the same little mud-chinked log cabin.

Farmers frequently present a great collection problem; not because farmers don't pay their debts, but because they don't always pay as promptly as manufacturers and jobbers expect a country merchant to pay for the goods he has sold to the farmers. If I were a country merchant, had a lot of good but slow farmers on my books, and needed money to pay the jobbers and manufacturers with whom I dealt, I should state the case to my farmer cus-

tomers very frankly. As a starter I think I should tell them or write them something like this: —

"The manufacturers and jobbers from whom I buy goods like to have me pay them promptly, and I generally manage to do so. You know that I handle first-class goods and that I try to keep my selling prices as low as possible. The values and the service that the merchants in this town can give to their customers depend to some extent on their standing with their jobbers and factories. Prompt pay is the best standing a merchant can have, and that is the standing I try to maintain.

"You are my customer. I value your patronage. I want to keep it, and I know that I can keep it as long as I give you the right goods and the right service at the right prices. I have written this letter because I am sending you a statement of your account. I want you to understand, however, that this is not a dunning letter. On the other hand, if you feel like helping me out, I can assure you that the money will come in handy."

I know a good many farmers and I know a good deal about them. They are pretty good fellows, and while they frequently seem a trifle indifferent in regard to their notes and accounts payable, I have never known them to refuse to help a neighbor when he needed help, nor have I ever known them to refuse to help a good merchant when he needed help — provided he asked for it in the right way.

If I had a lot of fashionable millionaire delinquents, as many city merchants do, I should handle the collection of their accounts a good deal as if they were farmers. In both cases I should try to sell the sense of gratification that any one, whether farmer or millionaire, is likely to feel in bestowing a favor and at the same time discharging a debt that in any case would have to be paid some time.

Collection-making is probably the most human phase of business and the simplest and the easiest. Deadbeats there are and always will be, but it is surprising how many deadbeats will pay if their indebtedness can be presented to them in the right light. I know a

man who rarely pays a legitimate bill, but is scrupulously prompt in paying bets. It should be possible to raise some of his legitimate obligations to the dignity and importance in his eyes of one of his gambling debts. The trouble is, however, that ordinary collection methods do not suffice in his case. The usual progression from the perfunctory mailing and presentation of an account to the ultimate threatening demand for its payment embraces no collection method that has the slightest effect upon him. Yet I believe he would not be a difficult man to collect from if properly handled.

The collector should assume, or at least pretend to assume, that every debtor wants to pay and intends to pay. The debtor's past delinquencies should not be held against him; he should rarely be reproached with them, for, however satisfying this may be to the collector, it gives the debtor a chance to say, "If I have the name, I might as well have the game."

When a cash settlement can't be obtained, a secured note is usually the next best thing. It

has been my experience that the easiest way to get security is to press for cash long after you have given up all hope of getting it, and then, as a possible alternative and in the guise of a concession to the debtor, bring up the question of security. Here again vanity can sometimes be sold, for the ability to get a solvent surety to sign one's note is a sort of proof of one's financial standing. Failing either cash or security, a definite calendar date promise of payment, partial or entire, is the least a collector should content himself with, for one of the most important things in the collection business is to keep a debtor doing something even if it is no more than promising.

VII

CREDIT-MAKING

"How droll!" the young matron remarked as she finished reading a printed form letter which her husband handed her one evening.

The form letter had been addressed to the husband at his place of business and ran as follows:

With reference to your application for credit with us, let us say that we have availed ourselves of your references and will accommodate you with credit up to $100 [the amount inserted in typewriting] in conformity with our usual terms, which are, that a statement will be rendered on the first of each month for all purchases of the previous month and settlement must be made before the tenth of the month following the month in which the purchases were made.

Trusting that this will be satisfactory, we are,

Yours truly.

The young matron explained: "You see it was like this. I had intended to have Measure and Cuttem make my spring suit, but I happened to be in Readymade's suit department the other day and they had a blue serge that nearly fitted me. I had no money in my purse and the saleswoman urged me to open an account with the store. I did n't suppose they thought they were 'accommodating' me or that they were going to write you about it. I thought I was 'accommodating' them by opening an account."

Credit departments of retail stores are not always quite so undiplomatic or ungracious, nor are young matrons always quite so ignorant of the functions and methods of a credit man, but credit-making is droll — very droll — just as the young woman said, and the average shopper has but a very vague idea of what a credit man is supposed to do.

Credit men can be divided into two principal classes: gamblers and grouches. Outside of these two general classifications are quite a number of other credit men, to be sure, but

it would take a long time to classify all of them, for nearly every one of them deserves a classification all by himself — such are the subtitles of credit-making when one decides to be neither a gambler nor a grouch credit man.

Gambling credit men are common. To be one is as simple as to be the *croupier* at a gaming-table. There is nearly always a percentage in favor of the house, whether it be gaming-house or merchandising establishment. The gambling credit man has his own estimate of the percentage against the buyer and makes his credits accordingly. Playing on a wide margin of profit and supported by a corps of efficient collectors, he will last a long time; I know some who have lasted for years and kick in under the table at every Credit Men's Association banquet and look as wise as anybody, while a Congressman from out West, who was formerly a notary public and attorney-at-law at Broken Bow or Wounded Knee, holds forth on the iniquity of Wall Street and the true inwardness of credits — the former represent-

ing a bucket-shop trade that went wrong and the latter a flier in second mortgages on western Kansas farm lands just before the last panic.

A gambling credit man, whether wholesale or retail, if true to type, is always ready to take a chance, but he does n't like to play with marked cards unless marked by himself. His investigations about a prospective customer call for about the same information that a prudent card-player would like to have about his opponents in a Pullman car poker game. An even break is all that a gambling credit man wants — an even break plus the percentage of profit that his house has included in the selling price. If an applicant for credit is a notorious deadbeat, the gambling credit man wants to know it, just as a poker-player would like to know whether his opponents are professional card sharps — but outside of that, almost anything goes.

The gambling credit man acquires a sort of sixth sense that is not so very different from the intuition of the gambler, commonly called

"wiseness." He turns down a credit risk occasionally for no better defined reason than sometimes prompts a gambler to "lay off" a poker game when both habit and inclination urge participation.

I don't know of any particular reason why we should talk very much about gambling credit men. If you are a deadbeat, there is always a chance that you can put one over on that kind of credit man. On the other hand, there is always the chance that he'll stab you with his little old C.O.D. stamp. You never can tell. And, oh, before I forget, let me warn you, dear Deadbeat, that a free-and-easy, take-a-chance credit man is usually a mighty tight collector. Usually he will take as many chances getting his money from you as he did in giving credit to you. Sometimes his confidence in his collection methods is what makes him so free and easy in his credit methods. Therefore, Mr. Deadbeat, unless you are bulletproof and shame-proof, be wary of the gambling credit man.

So much for the gambling credit manager.

Now about the grouch credit man — "grooly grouch" as the little boys and girls say. He can be one of two kinds. There are more than two kinds, but there are particularly two kinds. First, there is the frock-coated, white-waistcoated, clammy-handed credit man who has several building and loan books and a good pew at church, and at one time wrapped bundles in the "retail" or picked orders in the "wholesale." He'd rather save his company — "my employers" — a dollar than make them ten dollars. He is the sort of man who will stand in the cloak room at a credit men's dinner and tell the collection manager of an installment diamond house that *his* credit losses during the preceding year were only one nineteenth of one per cent. That's one kind of a grouch credit man. Really he is n't a grouch at all. He's never spent much money himself, — probably does n't even have a charge account at his own store, — and is naturally suspicious of any one who wants to buy anything on credit, but he's a pretty decent old fellow, at that. You know that kind

of man is always old, no matter what his age in years and months and days may be. He's old, that's all, but he's a pretty good chap and the world would be better if about ninety per cent of all of us were like him. He hates to make a credit, and, if he dared to express his own convictions, would probably advise everybody to pay cash for everything. However, he's the easiest collector in the world when sickness and misfortune overtake his debtors; but Mr. Deadbeat, your interest in him is purely academic, for such as you rarely put anything over on that sort of credit man.

The other kind of grouch credit man? He is a burly chap — burly of mind if not of build. Privately he may be a charming sort of fellow. Usually he is, for almost every man is charming when you really get to know him; nature has few moulds from which something worth while cannot be fashioned. The burly credit man does n't usually know very much about credits, but that is n't exactly a distinguishing mark, for scarcely any one knows much about credits. He likes to say to a sup-

plicating salesman or sales manager in a very gruff voice, "Nothing doing — absolutely nothing doing." There is a pleasure to him in saying that gruffly. The gruff part is particularly pleasurable. He is nearly always in the employ of a manufacturer or jobber, for his kind does n't thrive in the atmosphere of a retail store. This kind of credit man is usually the kind that can be placated, and therein lies his greatest weakness. He is particularly susceptible to acquaintance, for no one can be a grouch with everybody — the line has to be drawn somewhere. When he gets acquainted with a customer, he is inclined to extend credit on the strength of his acquaintance, and unfortunately his acquaintances are more likely to develop along social than financial lines. At creditors' meetings this kind of credit man is frequently to be seen chewing bitterly on the end of a cigar and confiding to all who will listen, "I can't understand it. I've known John for years — known him intimately. I can't understand it — no, sir, I can't understand it."

Acquaintance is a quicksand of credit. Real acquaintance would be an aid, but the kind of acquaintance with our customers that most of us acquire, when the customers visit New York or Boston or Chicago, or wherever it may be, is n't exactly the sort of acquaintance that helps us in making credits. We may become acquainted with the fact that a customer prefers thick soup to clear, filet mignon to fowl, and Eva Tanguay to Maude Adams, without really finding out very much about him. When we commence to count him our friend, we are more apt to inquire whether the September Morn cocktail and the Hesitation Waltz have struck his town yet than to try to check up his accounts and bills payable and receivable, stock on hand and cash in bank against his annual turnover, and compare the result with ditto of last year.

Being a "chilly proposition" or a grouch does n't help a credit man very much in the long run, for there is no ice so cold that it can't be melted and no grouch so deep that it can't be penetrated. Fear, however, is another

matter—quite. The credit man who is afraid of losing his employer's dollars, and grows irritable over it, acquires a grouch sometimes that is mighty hard to dissipate. That kind of grouch credit man will ordinarily watch a risky credit more consistently and constantly than the burly, bellowing kind of credit man. An ex-burglar acquaintance of mine says, "A bulldog is the biggest sucker in the world if you know how to handle him, but look out for them cowardly collies." There are bulldog credit men and collie credit men. Of the two, the latter are probably the more likely to nose out a customer's failing financial condition in time to prevent a loss, but neither is exactly the ideal type of credit-maker.

We have now considered three common kinds of credit men. Of course, no credit man is consciously anything like any of these three kinds and you could n't expect him to admit that he is; but who of us are able to see ourselves as others see us? Surely not I. Which brings me to my own personal ideas of credit-making. I have some of the best ideas about

credits, but at the same time am one of the worst credit men you ever saw. Just a moment ago I was comparing two bank statements. You know what I mean: those neatly printed statements of assets and liabilities that tell you everything — and nothing. By my rules of financial analysis one of these banks, according to its statement, figures about ten per cent stronger than the other, but my conviction is that the bank which figures the weaker of the two is in reality the stronger. Why? Chiefly because it is the older and larger and has a widespread reputation for stability. Although it has a greater proportion of wild-cat assets and has gone to greater lengths to boost the size of its surplus, I am willing to fall in line with the mob and say, "That's the bank for me."

This typifies a difficulty that so-called scientific credit men frequently experience. If you are a scientific credit man, your system may figure out one result while your natural inclination is to do the exact opposite, because every one else seems to be doing it.

Herein is a double-barreled credit truth. One barrel shoots forth this practical fact: the individual or business house that is old enough or big enough or throws a sufficient bluff to obtain a popular acclaim of credit worthiness, is not only likely to get a lot of credit, but is also almost sure to get a lot of assistance in troublous financial times. From the practical credit man's standpoint it is fairly safe "to string along with the bunch," for if the "bunch" happen to be wrong, they are going to be mighty slow to admit it and will ordinarily do almost anything to prevent the object of their misplaced confidence from blowing up and disclosing the full extent of their indiscretion. When the entire "bunch" is fooled, you seldom hear of a quick "blow off." There are sure to be a lot of creditors' meetings, reorganization plans, retrenchment schemes, and that sort of thing before any legal notices are pasted on the front door. And, ordinarily, the "bunch" are able to pull a popular debtor through.

The other barrel of this credit truth con-

tains a charge — or suggestion — to credit-seekers. If, in a majority of cases, the credit-giver, for the reasons aforesaid, feels a certain security in extending credit to the credit-seeker, who has already received credit in consequential amounts from a considerable number of other credit-givers, then, surely, considering future possibilities of financial stress, — as well as present facility in obtaining credit, — it profits the credit-seeker to establish an extended line of credit with several credit men in order that each may influence the others in the continuance of credit favors, and all combine to save the credit-seeker — and themselves — should financial difficulties threaten. Have I made myself clear? I hope not, for what I have said in this paragraph is solely to appease a sense of duty. In writing about credits, one should at least pretend to consider both the giver and the receiver of credit, but I am reluctant to offer any suggestions to the seeker of credit, for he — on the average — already has decidedly more effective and successful methods than the credit-giver.

Yes, there is a science of credit-making and it is practiced — up to a certain point — by a good many credit men. There are several books that teach the rudiments of this science. There are rules for estimating the liquidating value of various kinds of merchandise and accounts and bills receivable. There are rules for determining the proper ratio of debts owing by the credit risk to debts owing to him — and their proper relation to his stock on hand and cash in bank; then there are rules for determining the proper relation to all of this of his annual business — annual turnover is the neatest way to put it. These rules are good. They can't help being good, because they are mostly founded on statistics. Everybody knows that anything founded on statistics is good.

The only trouble with these scientific rules of credit-making is that when you commence to apply them you find that, outside of the Standard Oil Company and one or two of the larger railway systems, no corporation is really entitled to credit, and as for partner-

ships and individuals — well, I'd rather not say, for fear of hurting some one's feelings.

There you are. If you are consistently a scientific credit man, you can extend credit to scarcely any one; and when you abandon scientific methods there is an excuse for extending credit to almost every one.

As practiced, credit-making is n't much of a science. The science of the credit men who imagine they are scientific consists mostly in a collection of hobbies, prejudices, and superstitions. Some of my own, for example: In dealing with individuals, I am afraid of men with lobeless ears; of certain classes of professional men; of all owners of threshing-machines, sawmills, or race-horses; of all takers of tips; and of nearly all persons who speak with extreme emphasis — or naïveté — or unction. Absurd, you say? I know it. And since my prejudices against individuals in a credit sense are admittedly absurd, I shall not attempt to state my pet antipathies in respect of corporations and partnerships.

The scientific credit man may preserve a

few of his hobbies and theories and apply them now and then, but mostly he "strings along with the bunch" — and does what the bunch does when any of his credit risks come financial croppers. There can't be any real science of credit-making any more than there can be any real science of love-making. Credit is a personal thing. So is love. But success in either love-making or credit-making usually turns on extraneous circumstances. For example, the successful Romeo of a New England village might become a wall-flower in a Western mining-camp, just because of the difference in supply and demand. So it is with credit men. If your house is selling goods that every one must have, it is one thing to be credit man, while it is quite another if the goods that your house makes or sells have to be crammed down the throats of possible buyers before sales can be effected.

After reading this chapter, I don't expect you to know any more than you did before. I expect you to be like the gentleman who, after following the races for a year, stated that he

"came out even; I started with nothing and I've got nothing left." No one knows enough about credits to justify him in trying to explain what he knows. Nevertheless, it is perhaps wholesome for us to consider how little we really do know. That is good for us always, I am sure.

Credit came into existence because mankind reached a point where one man's needs for another man's goods outstripped his ability to make instant payment in things of value that the owner of the goods was willing to accept. Then came the adventures of commerce; the act of seeking the products of foreign countries in exchange for the overproduction of home-grown products. The men who had the hardihood to fare forth on this quest needed to receive credit — and they did. Upon their honesty and success — more particularly upon their success — depended the continuance of their credit. Death and disaster proved the need of evidence of these credit transactions, and bits of writing in a certain technical form came to play a useful

part in the mechanics of credit. From this beginning has been built up the credit system that partially answers our modern needs. At best it is a flimsy structure, built on faith and hope and perhaps on charity too. If the whole world were thrown into liquidation to-morrow, the whole world would be insolvent if its assets and liabilities were measured by the ruthless rules that guide a scientific estimate of credit worthiness. Hence, there are few good credit risks from a scientific point of view. And when you throw away the science of credits — as you must — what is left? Nothing but guessing.

Credit is a curious thing; sometimes as sensitive to attack as a woman's reputation; sometimes as steadfast as her virtue; sometimes, alas — but why say that? A man's credit — like a woman's virtue — is what it may turn out to be. Who can tell? But however doubtful and distrustful a credit man may be, and to some extent he must always be both, he ought to be unfailingly a good fellow — the best fellow, the most tactful, and the most

considerate in his company's whole organization. He should never send out form letters such as the young matron's husband received. He should never growl like a watch-dog. He should always remember that he is a salesman — a salesman of "charge accounts" or "lines of credit." And he should also realize that a bad "credit" is simply a bad sale of a "debit."

VIII

THE MANAGEMENT OF TRAVELING MEN

How easy it is to say, "I am managing the traveling force of So-and-So." Easy to say and sounds good, too, but it is n't an easy thing to do. In fact, I never saw any one really manage a force of traveling men.

One of the reasons why it is hard to manage traveling men can be found in a little red book called the "Official Hotel Guide." This book contains the names of most of the hotels in the United States, and a majority of them are unconscious foes to efficiency on the part of their guests as well as remarkable examples of inefficiency themselves. The bad cooking, untidy housekeeping, and general squalor of the average commercial hotel make it difficult for a commercial traveler to maintain constantly the fervid enthusiasm about his house, his goods, and his job that the man who is "managing" him counts on when figuring out the

"propositions" that are to be "put across" by the traveler.

A traveling man leaves the home office with fresh samples in his sample case, crisp new bank-notes in his pocket for expenses, and the instructions and admonitions of the sales manager at least partially remembered and understood. He is filled with determination to make this trip the biggest one on record. He will show everybody what he can do. Yes, sir, he feels just like tearing up the earth this time. He is brimming over with enthusiasm, energy, determination, self-confidence — and anything else you care to name that a traveling man should brim over with when he starts out on a trip.

"Tacks-ee-keb, sir?" Yes, why not ride down to the station in a taxi? It won't cost much more than that big imported cigar the boss gave him yesterday. So down to the station he goes in a taxi.

"Could n't get a lower for me, could n't you? Well I guess I'll have to take an upper, then." An upper berth and a nice bright light

right over his head until midnight; the junction at five in the morning with a zealous porter waking him at four-fifteen; connecting train due to leave the junction at six; saloons just opening up; cold gray morning; little drink would n't go so badly; bad habit to drink before breakfast — but then; say, that new cocktail the sales manager ordered at luncheon yesterday was a pretty tasty drink — wonder if the bartender over there could mix one; exit drummer; so much for the first leg of the trip.

The train proves to be late, but not late enough to permit breakfast uptown at the junction. It finally comes along. There is no dining-car, for this kind of a train does n't pamper its passengers. The candy butcher would think you were trying to "kid" him if you attempted to buy a twenty-five cent cigar. It's just a plain train without any frills on it. Our traveling man arrives at Brownsville in a drizzling rain. The bus bounces him up to the Central Hotel where breakfast has nearly run its course. The members of "Within the

Law, No. 13 Company" are the only guests left in the dining-room. The leading woman looks at him disdainfully and remarks to her companion: "These drummer dumps are fierce, ain't they? — Did you taste that coffee; and look at the toast, would you — and the butter — that surely must be goat-milk butter."

Our traveling man does n't hear the leading woman's comment. He only sees her — and, as he slides into his chair, murmurs to Maggie, the head waitress, "I see you've got some show people," to which Maggie replies, wrinkling her nose scornfully, "Yes, and thank Heaven they're goin' to leave on the eleven o'clock train. They're something fierce, them show people."

It's "fierce" all around. The leading woman was right when she said "drummer dumps" are fierce — at least she was right about some of them. On the other hand, Maggie was right about show people. They get pretty fierce when they go against a fierce drummer dump. People who have lived most of their

lives at actors' boarding-houses and hotels that print on the hotel stationery, "Steam heat in every room. Special rates to the profession," will go up in the air a mile when they get a week of fair-to-medium, pretty-much-on-the-average commercial hotels; but the poor old traveling man is expected to take fifty-two weeks of it, if need be, and never make a murmur. In fact, when he asks for a salary raise, the sales manager is mighty apt to say, "And you must not forget that we are paying your expenses. You're living on the fat of the land — at our expense." I know sales managers say that and believe it, for I've said it myself. It's queer how much better some towns look on the map than they do when you meet them face to face, and how much better some hotels look on the pages of the "Hotel Guide" than they do when you pull the pen out of the potato to write your name in the guest-book — no, I mean register your name under the vividly colored date slip furnished by the enterprising manufacturer who imagines that these slips are bringing his

product into prominence. I know he is enterprising, but I can't remember his name or his product. Can you?

Enough of this: Let us get back to our hero, by this time laboriously excavating with a cloudy spoon the interior of a spongy orange. He is feeling rather seedy. If any comparison can be drawn between a small orange full of large seeds and a traveling man who feels decidedly gone to seed, he is the seedier of the two. He feels, and rightly, that the Junction bartender did not make that cocktail exactly as it was made at the sales manager's club. Instead of whetting the appetite, as any well-concocted cocktail is supposed to do, this particular cocktail is exciting premonitions of an untimely headache. The lumpy oatmeal seems more lumpy; the leathery beefsteak, more leathery; and the muddy coffee, more muddy.

Out in the "office" after breakfast he moodily lights a cigar and momentarily pauses to examine with feigned interest an ammunition manufacturer's familiar litho-

graph of a sportsman shooting ducks, and a harvester company's equally familiar calendar illustrating a blonde broiler down stage in an Old Homestead costume against a back drop that depicts a wheat-field and a binder, with the company's name on the binder in letters of disproportionate size. He then moves over to a shoe manufacturer's map of the United States and discovers the interesting geographical fact that Brownsville is located on the right eyebrow of the shoe company's salesman for this particular State.

At nine-thirty he starts out to see Smith, his Brownsville customer. He does n't feel quite so brisk or confident or enthusiastic as he did the day before, when he left the sales manager's office. Then, his territory was a map containing so many towns and so much possible business. To-day, it is merely a collection of places with bad hotels and worse railroad connections. Yesterday Brownsville was a dot on the map and a possible thousand-dollar order. To-day it is an ugly country town that he wants to leave behind him as

soon as possible. Maybe he can get through with Smith in time to get away on the eleven o'clock train. Smith never was a very live wire, and there's not much use of springing the sales manager's new scheme on him. Of course, it's all right to mention the scheme to Smith, but hardly worth while to take up much time with it. "I'll get his order for what he wants and get out at eleven o'clock, I guess."

Well, he made the eleven o'clock train and had a game of pitch with three other salesmen. Nice fellows they were and all four worked the next town in three hours and got out of it together on the four-fifteen train. Two of them had intended to spend a little more time with their customers and wait for the seven-thirty train, but it did seem a shame to break up the pitch game. That night they had a real sure-enough pitch game, and our man lost seven dollars, but he did n't care much about the loss until the next morning when he got up with a slight headache. His orders for the previous day had n't been sent in, so he sat down be-

fore breakfast and, instead of the comprehensive reports he had intended to send the sales manager, wrote briefly as follows: "Was too busy last night to send in my daily reports. Inclosed find orders from Smith of Brownsville and Jones of Newtown. Best I could do. They would n't consider your new scheme, but I will try it on everybody just as you said. Want to get over the territory as rapidly as possible so as to keep ahead of Blank & Co.'s man. Will be in Summit Sunday. Change route card accordingly. Have n't had time to make up those new reports on Brownsville and Newtown. As you know, a traveling man does n't have much time to fill out reports, but will do the best I can."

The sales manager reads the letter and says to himself, "That fellow's a hustler. He's not much on making reports, but I suppose he's right: a traveling man does n't have much time." It's rather funny how sales managers fall for that "too-busy-to-make-reports" idea, inasmuch as most of them have been traveling men themselves.

Getting back to our hero again: Ten days pass, during which, by sundry economies, most of the seven-dollar loss at pitch has been absorbed by the expense account. Scarcely anything else of great moment has occurred, unless the breaking-up of the pitch-playing quartette can be so regarded. In a couple of towns the trains ran in such a way as to give our traveling man a good deal of time in each place. In the first he caught up on his reports. In the second, having nothing better to do and having breakfasted uncommonly well (good hotel there), he tackled his customer on the sales manager's new scheme. It took all morning and then two hours more after luncheon to do it, but he finally put the scheme over — which only goes to show, you know, that some merchants will take hold of a sales manager's schemes and some won't.

The hotels got no better: same way about trains; rotten weather, too. Time passed. Cosmopolis for the third Sunday. Gee! a traveling man leads a pretty hard life. Well, anyway, there's always a good bunch Sun-

daying at Cosmopolis; wonder if that plump little brown-eyed waitress is still there; she certainly was a good fellow.

The sales manager's new scheme? "Oh, I put that over with one fellow, but most of 'em don't seem to take to it and I don't press 'em very hard. The fact is, for the last two or three days I have n't mentioned it to the trade at all. I'm trying to get over my territory, you know, and get what business there is in sight. Cosmopolis for Sunday? Betchyer life."

After a while the sales manager, back in the home office, takes stock of his pet scheme. He folds up the papers and tucks them away. "The boys have even quit referring to it in their reports," he says to himself. "I suppose they don't want to rub it in on me. That scheme apparently was a lemon. Of course, the new fellow out in Iowa is doing pretty well with it, but I guess his territory is different from the rest. I'll let him go along as he's doing now, but as far as the other boys are concerned, I guess I can count on them to get

all the business there is in sight without any new schemes."

No, I'm not trying to be funny and I don't care how many sales managers and traveling salesmen read the foregoing and say, "Not me" — or I. No, sir, I don't care what they say. I know that human nature, country hotels, and local trains have wrecked more good sales plans than you can shake a stick at.

Manage traveling men? Anybody can make a traveling man call his laundry by some other name in his expense account. Anybody can make a traveling man fill out route cards and send them in. Anybody can stick tacks in a map and do the other things that tradition ascribes to the management of traveling men, but who ever really managed a force of traveling men?

I have always liked to try to manage travelers — but then there are always men who like to play a hard game. I believe in all the modern frills, including maps and tacks and geographically arranged card files with significant

colors for the cards, for a sales manager needs to have before him a graphic picture of his territory just as a general needs campaign maps and the best obtainable information about the opposing forces. However, as they are generally used, the maps, cards, tacks, etc., of a modern sales department probably do not yield a direct return commensurate with the cost of their maintenance; but unless they are very sadly misused, I believe they have a considerable indirect value. For example, a map system properly kept up is a constant accusation of the sales manager. No sales manager or sales force ever works a territory the way it should be worked; that is impossible, for perfection is never attained in any sales department; but when business is good, sales managers are prone to become self-satisfied, and the worst thing a sales manager can do is to become satisfied with himself and his department. If the true conditions are kept constantly before him in graphic form, no sales manager can ever get in that state of mind. Furthermore, the geographical point

of view must be constantly maintained if a sales manager is really going to manage sales and not let sales manage him. A gratifying volume of business does not necessarily signify selling efficiency, but an accurate knowledge of the weak points in the territory, and an intelligent and persistent attack on those points is almost certain to bring about increased sales. Among other arguments in favor of the geographical form of attack is the fact that traveling salesmen are sometimes inclined to avoid the towns where their services are needed most and are much disposed to underestimate the importance of small towns, particularly small towns that have bad hotels or poor train service.

There was once a time when a certain reaper company had very decidedly the lion's share of the reaper trade. Their binders and mowers were popular with the farmers. They were lenient in their collection methods. They had the pick of the implement dealers for their agents. They seemed as strongly intrenched as a manufacturer of a competitive article

could be. Their branch managers were the overlords of the implement business. Their traveling salesmen were envied by the travelers of all the other reaper concerns. Perhaps a part of this envy was occasioned by the fact that most of this particular reaper company's dealers were located in fair-sized towns — "electric-light towns" as they were known twenty years ago. A man who traveled for this reaper concern could on the average stop at better hotels and ride on better trains than the men who worked for the other reaper companies. Since this company had in most cases the best dealer in each of the best towns, the other companies had to take second choice in those towns. One of the other companies finally decided that it would rather have the best dealer in a poor town than the worst dealer in a good town. So the other company commenced to specialize on the small towns, and ultimately it had the electric-light towns hedged about with crossroads dealers. In a good many ways these crossroads dealers did not compare favorably with the dealers in the

electric-light towns, but they covered the territory so thoroughly that their efforts gradually brought results, and when both companies merged some ten or twelve years ago, each company was doing about the same amount of business.

The sales problems of a reaper manufacturer are, of course, very different from those of a manufacturer of high-priced confectionery or expensive corsets, but the geographical attack has a suitable adaptation for every selling problem.

The geographical attack requires the routing of traveling men — not necessarily prescribing in what order nor upon what days they shall visit certain towns, but at least instructing them as to what towns they are to visit. Some sales managers refrain from doing this and say, in effect, "Our traveling men know more about their respective territories than we do." This is a damaging admission for a sales manager to make. While a traveling man may know more about some things in his territory than the sales manager can

know or needs to know, no sales manager should permit himself to know less than his traveling men about the important territorial facts. One reason why a manufacturer who operates through branch offices is usually able to show a higher degree of sales efficiency than the manufacturer who does not, is because a branch manager, without conscious effort, acquires a knowledge of his territory that a general sales manager does not get without the most persistent effort, nor retain and make useful without the painstaking compilation and maintenance of convenient and graphic records.

But why, in an article about managing traveling men, should I talk about geographical attack and the mechanics of sales management, when the principal problem is a human problem — a very human problem? The average human mind is not very ready in its grasp of the thoughts that emanate from another mind. Even when I agree with your views and indorse your plans, I probably do not more than half comprehend the underlying rea-

sons that have influenced them. Accordingly, when I attempt to carry out your plans, I fall far short of doing and saying all that you had in mind. I may omit to do or say the very thing that would have made your scheme a great success.

I am quite sure that not more than one traveling man in ten fully understands what his house is trying to accomplish. This is partly the fault of the traveling man and partly the fault of the sales manager — mostly the sales manager's fault, I think. Of course, the traveling man knows that his house wants him "to go out and get the business"; but he rarely has that sympathetic understanding of the sales manager's selling schemes that would enable him to put in those finer touches of salesmanship that correspond — for example — with the suppleness of a champion billiardist's wrists or the delicate sensitiveness of a premier jockey's hands. Speaking of billiards in comparison with salesmanship, the attitude of the average traveling man toward salesmanship is a good deal like my own atti-

tude toward billiards. I know that three balls are used in the game and that if I make one hit each of the other two, I thereby score a point; but I have never taken the trouble to study either angle or stroke, and I play no better game to-day than I did ten years ago. The average traveling salesman takes the same pains to comprehend the true inwardness of his sales manager's plans as I have taken to master the true inwardness of billiards. This is partly because scarcely anybody can exactly understand the ideas of anybody else, but principally because scarcely anybody really cares very much about the ideas of anybody else.

When you explain your ideas to me, you must do one of three things to get me to make an intelligent and sincere effort to carry them out. You must either make me think they are my own ideas, or you must intimidate me, or you must be very, very convincing — more convincing than I have ever yet known any sales manager to be.

Now we have arrived at the kernel of the

matter, and if there is any value in this article, here it is: Sales managers issue instructions and counsel with the fatuous belief that such instructions and counsel are studied, pondered on, understood, and heartily indorsed by the traveling men who receive them. Not once in ten times is this the case. A traveling man may take any one of a dozen different views when he receives instructions from his manager. Here are some of them: (1) "I'm always willing to follow instructions from the house, but I know these won't work in my territory and I'll soon convince the house of that." (2) "What does this fellow know of conditions in my territory? This may be all right in other territories, but not in mine." (3) "I guess this guy thinks I don't know how to handle my trade — wants to tell me just how to do it." (4) "What do you know about that! — trying to tell me — me who was in this business before he was out of grammar school!" (5) "I'm going to quit — if I can get another job." (6) "That's what I've been doing right along — not just that way, but

the same thing; thinks he can tell me something, does he?"

These are some of the things traveling men say when they get your letters of instruction, Mr. Sales Manager. Now and then a new man or some chap who has taken a fancy to you will say, "That's a good idea," but you must figure that he probably doesn't more than half-understand what your idea is, and if he does, his enthusiasm and interest are not likely to survive a week of bad hotels and bad train service.

When I am managing traveling salesmen I try to remember that I am managing a bunch of the finest fellows in the world, who are up against a mighty tough game. I try to remember that they know a lot about the business — more about some phases of it than I do. I am willing to let them help me form the sales policies of the company. I like to get them all together and "choose up" sides like an old-fashioned "spell-down" contest. One side represents the customers' side — the buying side; the other side represents our side —

the selling side. Then we go to work and collaborate on a complete selling plan. The fellows on the buyers' side try to spike or blow up the guns of the fellows on the selling side. Sometimes we spend a whole day on a single point, and before we finally decide what it is best to do and say on that point, every one — both the buyers and sellers — must agree that the thing we have decided on is the very best thing to do and say. Point by point we work up a complete sales plan with the exact detail and dialogue of the approach and all of the subsequent steps of a sale. When it is finished, each of the traveling men solemnly subscribes to the fact that it is his plan — not mine — and fares forth to slay the trade with a weapon of his own fashioning. Even so, I have heard that some of the solemn subscribers later went back on their solemn oaths and said it was all — well, you know what kind of foolishness. However, that does n't matter, for I have used this method for several years and, on the whole, it has been successful; although, after an interval, country hotels and local trains will

reduce almost to zero the effectiveness of any selling plan that can be devised.

With reference to the second method of getting traveling men to embrace unreservedly a sales manager's schemes, namely, scaring them into it, I must confess that I have never tried that plan. When a traveling man doesn't do what you want him to do and persists in his obstinacy, he ought to be dismissed, and his dismissal probably has a good effect on his fellows, but I have never been able to bring myself to dismiss any one in a way to accomplish that effect in the fullest degree, which is probably one reason why I am not a very good sales manager.

As to being convincing with a traveling man — well, if you can be that, you don't need to read this or any other article on the management of traveling men, and probably haven't.

I am practically through. I could talk about expense accounts, I suppose, but that is a delicate subject. It is a noteworthy fact that most of the men who now sit at sales mana-

agers' desks are men whose expense accounts in their traveling days were extremely moderate. I don't know of any sales manager who was ever an expense-account grafter — or who even tried to "break even" when he was on the road. I know I was n't smart enough to do it, and when I was called into the home office to take a position there, I actually didn't know enough to charge up my railroad and sleeping-car fare. I thought my job ended while I was on the road, and that my new job did n't commence until I arrived at the home office. Can you beat it?

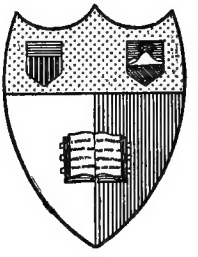
I have written quite a lot about the management of traveling men. There is a lot more I should like to write, but it scarcely has a place here. I believe in letters of a certain sort ahead of the travelers and letters of another sort — to which they contribute — behind them, but that again gets into the mechanics of the game, so I shall have to confess that the foregoing is all I know about the broad principles of the very difficult science of really and truly managing traveling men —

except one thing: go easy on the "bawl outs," and if possible, temper with some praise every letter of criticism; if that is n't possible, it's pretty nearly time for something stronger than criticism.

THE END

The Riverside Press
CAMBRIDGE . MASSACHUSETTS
U . S . A

Putnam's Handbook of Buying And Selling



New York
State College of Agriculture
At Cornell University
Ithaca, N. Y.

Library

Cornell University Library
HF 5356.C6
Putnam's handbook of buying and selling;
3 1924 013 909 092

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924013909092

Putnam's Handbook of Buying and Selling

Telling in a Simple and Practical Way How to Succeed in Business

By

A. Frederick Collins

and

Virgil D. Collins

Illustrated

G. P. Putnam's Sons
New York and London
The Knickerbocker Press
1920

COPYRIGHT, 1920
BY
G. P. PUTNAM'S SONS
@32122

To

CHARLES A. SCOTT

PREFACE

THIS book gives you the hard and fast methods of *modern merchandising.*

It is so simple that however little you know about business you can understand it, and it is so practical you can use it at once and with telling effect.

What we have written is the result of long years of experience in the merchandising field, that is, the buying and selling of goods. To make this book make you money:

(1) Read it through to understand it as a whole, and then read it through again and memorize the vital points in it.

(2) Look around and about you and see just how every *fundamental principle of merchandising* is applied by your successful competitors in your line of business.

(3) If you are *failing* in business find out why and how to remedy the situation, and

this you can do by seeing just where your methods are different from the *broad highway of success* which we have laid in this book.

(4) But if you are *prospering* read the following pages anyway and you will learn the secrets of bigger business and of greater success.

This book will start you *right* in the field of merchandising where ninety out of every one hundred men are failures. And they fail simply because they do not know the basic rules of the selling and buying game. It behooves you, then, to read this book and heed its precepts.

A. F. C.
V. D. C.

CONTENTS

PART I

SUCCESSFUL SELLING

CHAPTER		PAGE
I.	First Principles of Selling	3
II.	How to Get a Master Selling Force Together	20
III.	How to Pick Live Wire Salesmen	41
IV.	Selling over the Counter	58
V.	Selling to the Retail Trade	78
VI.	Selling to the Wholesale Trade	94
VII.	Making your Sales through the Mails	111
VIII.	Keeping a Map and Tack Grip on your Business	136

PART II

EXPERT BUYING

I.	The Essentials of Shrewd Buying	159
II.	Building up a Buying Machine	179
III.	Where to Buy	195

Contents

PART III

COMMERCIAL CONFIDENCE

CHAPTER PAGE

I.—Credit and your Business . . 209

II.—Inside Credit Information . . 229

III.—Closing in on the Debtor . . 253

PART IV

BUSINESS WISDOM

I.—Raising and Investing Money . 273

II.—The Lost Art of Making a Profit Found 282

Index 297

ILLUSTRATIONS

FIGURE		PAGE
1.	The Rise of Business Methods	5
2.	The Eternal Selling Circle	8
3.	The Five Steps Leading to a Sale	12
4.	Increase in Magnitude of Business in Past 50 Years	21
5.	Planetary Organization of a Selling Force	27
6.	Salesman's Report Card	36
7.	The Make-up of a Live Wire Salesman	49
8.	The Merchants' Selling Aids	66
9.	Three Kinds of Retail Customers	71
10.	The Big Diamond of the Selling Game.	79
11.	How Quantity Lowers the Production Cost of an Article	97
12.	What the Consumer Pays when he Buys	100
13.	How to Sell the Consumer through the Mails	118

FIGURE		PAGE
14.	The Layout of a Successful Selling Letter	131,
15.	Map and Tack Cards	145
16.	Map and Tack System Applied to your Business	150
17.	Buying Is the Reciprocal of Selling	161
18.	What a Good Buyer must Know	168
19.	A Source of Buying Information—The Perpetual Inventory	188
20.	Card Information for Buyers	191
21.	Buying Information Card	191
22.	Why Chain Stores are Successful	201
23.	The Loving Cup as an Aid to Big Business	210
24.	Confidence between the White Man and the Savage	212
25.	Property Statement Blank	235
26.	Annual Statement of the General Motors Corporation	237
27.	Confidential Report of Salesmen	239
28.	Reciprocative Credit Information Blank	244, 245

FIGURE PAGE

29. Analysis of a Credit Statement . . 251

30. The Three Ring Circus of the Collection Department 256

31. A Trade Acceptance . . . 293

32. How the Trade Acceptance Scheme Works Out 295

Part I

Successful Selling

Putnam's Handbook of Buying and Selling

CHAPTER I

FIRST PRINCIPLES OF SELLING

Before Selling Was Invented—How Selling Came to be—What Salesmanship Is—The Natural Born Salesman—The Art of Salesmanship—The Science of Making a Sale—Getting Acquainted with your Customer—Attracting your Customer's Attention—Rousing your Customer's Interest—The Desire to Own—The Resolve to Buy—The Effect of Positive Suggestion—Knowing your Competitor's Goods—Various Kinds of Selling.

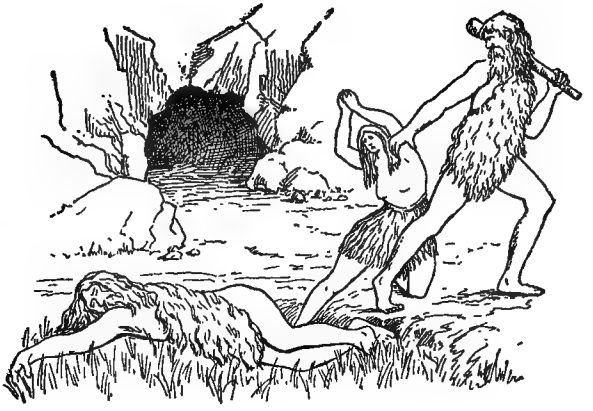
In the long ago when man made his *debut* on the face of the earth his first crude thoughts were of possessorship. As there was nothing his neighbor had that he wanted except his daughter, he set out with a club, and he either brought her back to his cave or gave up his ghost in the attempt. There was no exchange here, fair or otherwise, but robbery pure and simple, yet it was the only way he knew to get what he wanted.

A good many thousands of years after when he had learned to make a few things out of feathers, bone, and stone, and he had developed the art of expressing his thoughts a little by *speech*, as we call it, he found it an easier, safer, and better policy all round to give the old man something first and so induce the latter to give him the girl in turn. In this primitive way, then, began, not only the fashion of matrimony, but what is of far more importance, the exchange of values that came to be known as *bartering*. See Fig. 1.

How Selling Came to be. Now bartering, as you have just seen, means to exchange or trade objects whose value is supposed to be equal, as, for instance, horses, or a piece of goods for a dozen of eggs.

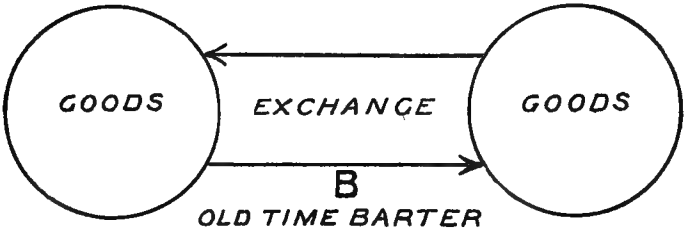
Selling, on the other hand, is generally understood to mean the transfer of some kind of goods for *money*, and, indeed, money was invented to make the transfer of merchandise a simpler, easier, and cleaner-cut proposition. In the final analysis, though, the same fundamental principles that underlie bartering also obtain in selling.

Not only this, but what is just as true is that



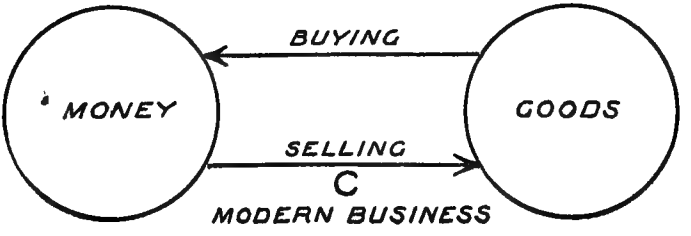
A

Prehistoric Robbery



B

OLD TIME BARTER



C

MODERN BUSINESS

FIG. 1

human nature is the same now as it was in the stone age, and where the early savage tribes bartered for things of imaginary value such as charms, amulets, and fetishes, we moderns are just as prone to buy art objects, antiques, and the like merely because we think we want them and not for their intrinsic, or actual worth. And thus like the untaught savages we are apt to deceive ourselves, or let some salesman do it for us.

After the invention of *money* the transfer of goods from the seller to the buyer was an easy matter, and especially so when the prices of certain staple things got to be about the same everywhere, that is, the prices at which commodities were sold became more or less fixed. This being true it was soon found necessary to use persuasion if a man was to successfully sell his goods where he had active competition, or to put it another way, he had to show to all intents that his goods were cheaper, or better, or both, than the other fellow's and this was the beginning of what we call *salesmanship*.

What Salesmanship Is. Of course a *salesman* is a man who sells goods in a store, on the street, or by canvassing, and while all men who

sell are called salesmen, very few of them indeed have the faintest idea of what real *salesmanship* is or how to apply the principles of it.

Now let's see first just what salesmanship is. To explain it fully is the purpose of the first part of this book and, as you will learn as you read along, there is considerably more to it than simply handing out something in an original package and taking money for it. But it can be boiled down into a concise and fitting statement which expresses its basic element thus: *Salesmanship is the power to convince and cause buying action.* The Eternal selling circle shown in Fig 2 illustrates this.

The first thing, then, that you must know and practice and employ if you want to become proficient in the art of salesmanship is to make use of your *power to convince.* By this we mean that you must group your thoughts in logical sequence and then clothe them in language that carries conviction with them. In other words know what you are going to say and then put a *punch* in it when you do say it.

Human nature is like electricity in that there is only one kind, but like electricity also there are several phases of it, and this accounts for

the various attitudes of different buyers. A stereotyped talk based on the right lines of salesmanship is bound to get a favorable re-

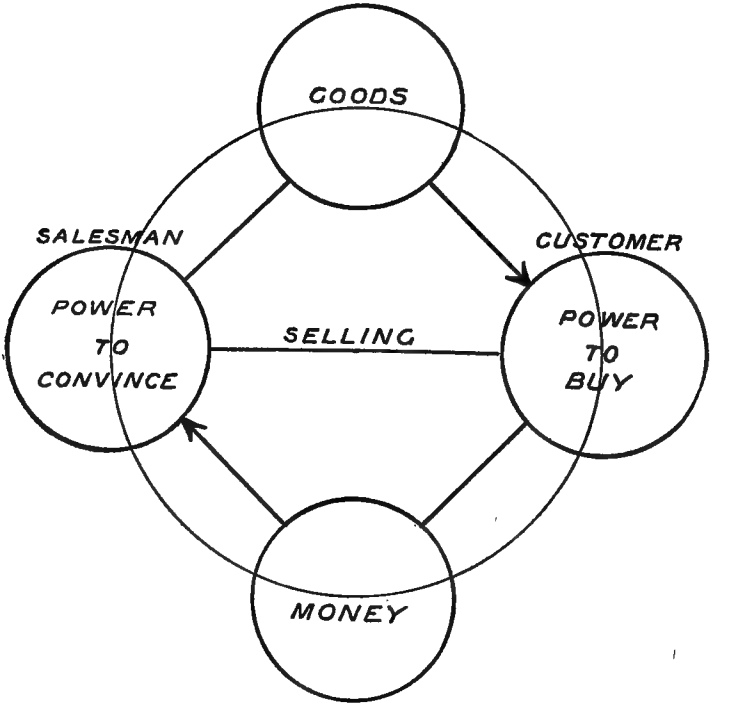


FIG. 2.—THE ETERNAL SELLING CIRCLE.

sponse from buyers as is evidenced by a patent medicine man who sells his wares from the tail end of a wagon. And he would sell them to all of his audience but for the fact that each

one has his own little peculiar phase of human nature.

This is the reason a selling talk that will convince one man may not be equally convincing to another man, but every man is susceptible from a selling point when you know his particular brand of human nature. To find out what his brand is, talk to him for awhile when it will crop out and you can then deliver the argument for which his case calls.

The Natural Born Salesman. Just as some men are natural born inventors, mathematicians, musicians, writers, etc., so many men, yes, most men, have a natural aptitude for selling—in fact, they are known as *natural born salesmen*. This is not at all strange when you consider that the human race has been bartering or selling the output of its hands, or brains, or both, ever since Adam.

A natural born salesman possesses innately the requirements of thought, speech, personality, shrewdness, and sticktoitiveness, to make him, for the time being at least, the superior of the buyer. It is when such a salesman begins to study the more or less scientific end of selling that he becomes a dominant factor in the

business world and his earning capacity runs up to five or six figures a year.

The Art of Salesmanship. If you are not a natural born salesman don't give up the ship because, as we said above, you have probably inherited your share of selling ability, and what you haven't inherited you can acquire through study and practice.

Now salesmanship in its fullest sense is a pretty complex thing but still it is scientific enough so that you can learn it just as you can learn physics, chemistry, or mathematics only it is easier and you get paid for it while you are learning.

Learning salesmanship, however, does not mean that you have to sell goods until you know how, though this is the usual way that salesmen are turned out, but very few of them rise above the level of mediocrity by this method.

To learn scientific salesmanship means that you take all the correlated facts that are known about the processes involved in selling and use them according to certain well-defined rules. Since these facts are largely founded on philosophy and psychology, salesmanship takes

on the aspect of a real science, if you please, and hence it can be treated as such.

The Science of Making a Sale. To put a selling proposition before a customer you must lead his mind through several successive stages, beginning with getting his attention, and ending with making him resolve to own that which you have to sell and finally, what is the really important part of the transaction, to part with his good money for it.

There are five vital steps through which your selling talk must pass if you are to make a sale. An ordinary salesman usually employs two or more of these steps, but a trained salesman uses all of them and in their logical order and unless he does so his chances are about as 1 is to 10 for making a sale.

These five stages are (1) the *introduction*, (2) *attention*, (3) *interest*, (4) *desire*, and (5) the *resolve to buy*, all of which are graphically shown in Fig. 3.

The Introduction. In this step you introduce yourself to your customer and you must take care to make a good impression on him for much depends on it.

If you create an unfavorable impression you

will have to fight the odds against it all through your next four steps, and since these depend on the unbiased attention of your customer you will find it mighty uphill work and in the majority of cases you will lose out.

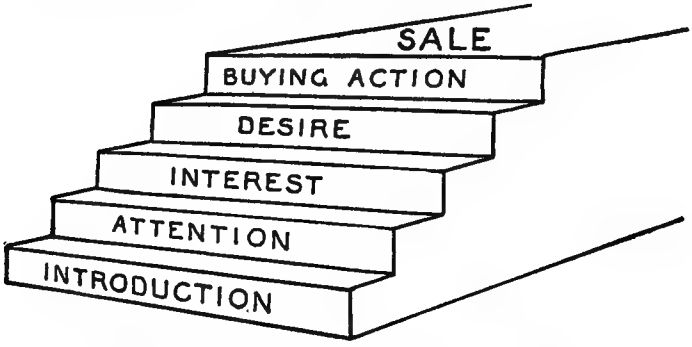


FIG. 3.—THE FIVE STEPS LEADING TO A SALE.

It is in this preliminary stage that you and your customer, if he is a new one, get acquainted with each other and in which he gets your mental number so to speak, that is, an impression of you; but it is not an altogether one-sided game for at the same time you size him up, conclude what nature and manner of man he is, and decide on the best method of attack. From this you will see that the better the impression you make on him the abler your deductions are concerning his idiosyncrasies.

Attracting your Customer's Attention. The quicker you can focus your customer's attention on the goods you are going to sell him, the better. There are two reasons for this, namely, (1) it takes his mind off of his own or someone else's goods, and (2) it starts a train of thought in him about your own goods.

It is your job to direct his thoughts into favorable channels which you do by literally jamming them into his head in the next three steps. To do this you must know two things and these are (1) what your customer wants and what he needs, and (2) what goods you have that meet his requirements and why they do.

A working knowledge of these points is absolutely essential for you to successfully carry on the next and fourth step; you will know part of the answer before you meet your customer and the next part of it you will decide by the evidence that you will be able to gather during the introduction step.

Rousing your Customer's Interest. To arouse and accelerate your customers' interest in the goods you are selling you must be interested in them yourself and know about their

manufacture and uses. From these facts you must pick those which you know will concern your customer and by your direct, elucidating, or ingenious manner, of describing your goods you soon grip your customer's interest as in a vise.

Some salesmen draw their customer's interest by a lot of palaver or irrelevant talk, and while this works in some cases the best policy is to stick to the goods at hand and make them the object of interest.

In the unsophisticated days of the horse-car, the kerosene lamp and the whatnot, a salesman, like the orator, always prefaced his subject by relating one of the seven original jokes or some modification of it, but in these times of airplanes, wireless, and player-pianos business men as a rule don't like things that are not to the point and to the purpose.

The Desire to Own. When you have thoroughly aroused your customer's interest in your goods his mind is in a highly receptive state for you to create a desire in him to own them. As we said before you must know what your customer wants and needs, also how and why your article suits his needs.

To make your customer want to own your goods you must show him the advantages that will accrue to him by owning them. When you see that you have fostered his desire to own them far enough you lead your customer without further parley into the fifth step which is

The Resolve to Buy. When you have led your customer's mind through the last four stages successfully it will be easy for you to bring this last and highly satisfying stage to pass, but you must in any event follow a definite procedure as in each of the other steps.

This you do by *positive suggestion*, that is, you skillfully inject into your customer's mind the suggestion that he buy the article; we say *skillfully* because any other method will make your customer, to put it figuratively, shy, rear up, and buck off of the saddle of your efforts.

The human animal we call *man* is just enough of an egoist not to want anyone to do his thinking for him and consequently the moment your customer realizes that you are doing his thinking for him it puts him in an aggressive state of mind instead of in a receptive mood.

The Effect of Positive Suggestion. While what we are about to say applies to the last step, that is *the resolve to buy*, still it holds good for all the other steps as well. By a *positive suggestion* we mean the art of influencing a customer by making statements which are always positive in value.

Never use a *negative suggestion* when you are making a selling talk. As an example, here is the way in which the sale of a car was lost by a negative suggestion. The salesman's line of talk had worked up a desire in his customer to own the car but when he reached step number five, that is where he was ready to close the deal, he offered a negative suggestion after this fashion: "Now, Mr. Brown, will you or will you not buy our car?" Mr. Brown having received the suggestion that he would not buy the car seized upon it and answered with an emphatic "No," and the sale was lost.

Now here is an illustration of positive suggestion: Another salesman selling Mr. Brown a different car the next day reached step number five and then he said gently but firmly: "Will you drive the car home yourself or shall I send it to your garage?" This suggestes to

the customer that he is already the owner of the car and as a rule he will choose one or the other of the alternatives, thus closing the sale.

You observe that the salesman's question does not leave any opening for the customer to say, "No, I don't want the car," if he answers the question direct. A magnifying glass is not necessary to see the big advantage of having every statement you make a positive one.

Knowing your Competitor's Goods. It is not enough for you to know your own goods but you must know your competitor's goods as well. Take particular pains to discover why your goods are *better* than your competitor's and not why your competitor's goods are *worse* than yours. A salesman who *knocks* a competitor's goods by showing how much worse they are than his own often arouses in a customer a sense of distrust of the salesman and a spirit of sympathy for the poor competitor.

The customer quite rightly considers that the salesman is taking an unfair advantage of a rival who is not there to defend himself and such a feeling is not conducive to making a sale. To point out how your goods are better

than any of your competitor's is, however, not only legitimate but it does not leave an unfavorable impression, for again you are making positive statements.

The best policy is never to bring up your competitor's goods at all unless they are mentioned by the customer. Then in making comparisons don't point out the superiority of your goods over those of any one competitor, but make the comparison with the goods of all your competitors as a whole and without mentioning any names. This has a much better effect than bluntly and crudely pointing out why your goods are so much better than those of the *Silko Company*.

Various Kinds of Selling. There are two kinds of salesmanship and these are (1) the legitimate selling of articles of merit and (2) the bunko-selling of wildcat stocks, gold-bricks, the Brooklyn Bridge, and other like kinds of blue sky.

The first kind of salesmanship is the only one that pays in the long run because there are no come-backs. A salesman who sells only good goods is always known as a man of integrity. He keeps the friends he makes and

always has a job. He is in very truth a prince among men.

A salesman of goods having an imaginary value and sometimes existence is generally in disrepute and soon loses his friends, if he ever had any, is often without a job, and to say that his reputation is shady expresses the situation mildly.

His ability as a salesman is just as great and sometimes a little greater than the salesman who sells legitimate goods but his energies are misdirected and sooner or later he will meet with ruin. The idea we are driving home is *never to sell goods that you haven't absolute confidence in, and you'll succeed.*

CHAPTER II

HOW TO GET A MASTER SELLING FORCE TOGETHER

The Traveling Salesman Back There—The Need of Organization—The Value of Organization—The Organization of a Modern Selling Force—What the Sales Manager Does—Getting your Selling Force Together—On Hiring Salesmen—A Useful Question Form—Mapping out Territory and Routes—About Handling Side Lines—What System Does for Selling—The Card Index System—Doctoring up Sick Sales—Keeping your Force Going Strong—The Balanced Force—The Understudy System—The Competitive Spirit.

AFTER the Franco-Prussian War was fought in 1870, France was forced to pay Germany an indemnity of thirty million dollars. A transaction involving an amount of money of this magnitude was in those days quite beyond the grasp of the minds of most people and even among financiers it seemed a gigantic sum for one nation to have to pay to another.

To-day there are any number of going concerns in the United States whose profits annually exceed the above named amount while the war indemnities that Germany and Austria

must pay the Allies will run up into billions of dollars. From this it is clear that the commercial world has learned to think in billions as easily as it formerly thought in millions and as a consequence business has assumed a correspondingly greater magnitude as shown in Fig. 4.

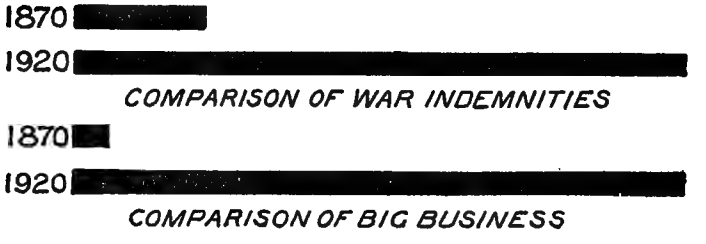


FIG. 4.—INCREASE IN MAGNITUDE OF BUSINESS IN PAST 50 YEARS

The Traveling Salesman Back There. In those *passé* days of loose ideas all kinds of businesses were run on a meager scale and an indefinite basis and hence there was scarcely any attempt made to organize a selling force nor was there any real effort made to systematize the selling of goods.

For instance a firm that employed traveling salesmen would send them out in a higglety-pigglety fashion with their ancient sample cases, and a very hazy idea of the territory

they were to cover. The rest was left to luck and the ability and honesty of the drummers, as they were called, themselves.

There was no way while the latter were on the road for a firm to ascertain even roughly the part each one of the above factors played in the results that he produced. Of course it was evident from the sales returns made by any one drummer when he had made good, but whether this was the result of genuine effort on his part or due to lucky chance, or to a combination of these elements, could not be determined with anything like a fair degree of accuracy.

Moreover most salesmen were prone to work their drawing accounts to the limit and, on top of this, their expense accounts often seemed, and were usually deemed, to be *padded* out of all proportion to the sales they made. If a drummer was honest, his accounts when checked against his sales would often put him in a bad light, while if he was dishonest he could more often *get away* with it.

These unjust conditions obtained because there was no means by which a firm could secure *bona-fide* information as to the actual state

of affairs under which a salesman was working and this prevented the members of it from doing anything more than making a guess at his real worth.

From all this you will readily see that there was much room and large opportunity for improvement, and firms which were pushing ahead and believed in a progressive policy began to inject the germ of organization into their various departments. The value of organization was so obvious it was soon realized that the selling force, which was the most important department of all, ought also to be organized, though this at first was a very difficult matter.

The Need of Organization. Clearly what was needed was some kind of an organization which would make it possible to weed out the chair users and account padders from the real workers of the selling force, for if this could be done it would, of course, greatly increase the efficiency of this departmental branch and, reciprocally, reduce the cost of selling.

Further such an organization would enable a firm to discover why sales sometimes dropped off unexpectedly in certain sections of the

country and why they picked up in other sections. And of even greater value it would enable the firm to predict beforehand the probable selling conditions that the salesmen would encounter and prepare them to meet the market, whether favorable or adverse, accordingly.

Naturally if an organization could be effected that would fulfill these conditions it would be of immense advantage to the firm having it, for it would permit it to keep a constant watch on and adjustment of the selling force and in this way it would prevent financial loss during slack times, and too, effectually and hence profitably meet booms in trade when they occurred.

The Value of Organization. Success in business as it is now carried on depends on organization, for without the latter there can be no placing of responsibility. The chief object of organization in business is that (1) there shall be no confusion in the performance of duties, (2) there shall be no overlapping of duties, and (3) that every department shall have a definite head upon whom the responsibility for its operation rests.

Such an organization is a valuable aid in any business, for it greatly facilitates transactions, however complicated they may be, and by means of it, flaws, faults, and mistakes can be discovered. Thus not only can the blame for their origin be fixed but, what is of more importance, they can be corrected or eliminated in time to prevent them from costing the firm money or, what amounts to the same thing, making the firm lose money.

The selling force, then, like any other department of a business, must be well organized in order that it can be made highly efficient—that is, so that it will do the most work and produce the greatest results in the shortest time, with the least trouble and at the smallest expense.

The Organization of a Modern Selling Force. Now there are two kinds of selling forces and these are (1) the traveling force and (2) the stationary force. The purpose of this particular chapter is to tell you about the former while detailed information on the stationary force is given in the chapter on *Selling Over the Counter*.

It is a comparatively easy matter to direct

sales operations when you have the men right under your eye, so to speak, but it is a much more difficult performance to look after a force when the men who form it are a thousand miles away from you and scattered to the four corners of the States.

To get back to the point in question there are two chief parts to every selling force and these are (1) its brains and nerve center, by which is meant the *sales manager*, and (2) its body, and this is, of course, made up of the salesmen. Fig. 5 shows the organization of a traveling sales force.

A point to be remembered is that no matter how clever are the individual traveling salesmen of the selling force, if the latter hasn't an expert sales manager at its head it is like unto a perfectly good human body actuated by a half-witted brain. From this you can see that as much, if not more, judgment must be exercised in the selection of a master salesman for your sales manager than in the selection of the salesmen themselves.

What the Sales Manager Does. The sales manager, as you will gather from his title, has complete charge and control of the selling force.

It is his job to map out the territory and the disposition of the salesmen over it; it is he who

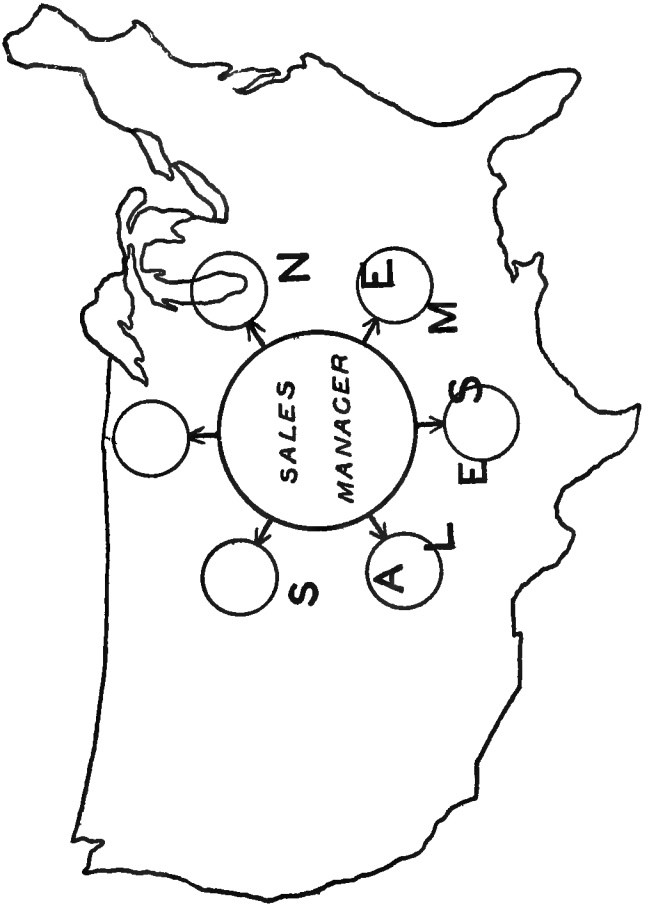


FIG. 5.—PLANETARY ORGANIZATION OF A SELLING FORCE.

creates the selling policy and builds up the selling schemes within his department. As a

matter of fact the sales manager does everything but go out and sell the merchandise himself, and sometimes he even does this.

To be able to do all of these things successfully the sales manager must, first of all, be a master salesman himself and second, since his success depends in a large measure upon how faithfully the salesmen who make up his force serve him, he must be a leader of men as well. This means that he must dominate the minds, command the respect, and have the confidence of his men at all times no matter where they are.

In the early days of sales organization the sales manager was usually looked upon by the selling force with disfavor, if not indeed with distrust, for to the old line drummer he seemed to be a meddlesome and wholly unnecessary adjunct. Gradually, however, it was found that the sales manager was not a stumbling-block in the salesman's path, but that his sole purpose was to work with and help him all he could.

Then as time went on the sales manager was looked upon by the salesmen under him with more and more favor, until now he is recognized

as an indispensable head of the organization for he is not only willing to solve the problems his men run up against, but assuming that he knows his job he knows just how to do this. In this and many other ways he takes a great responsibility from the shoulders of his force. Thus while the sales manager is first, last, and all the time a specialist in selling, he must also have a genius for organization.

Getting your Selling Force Together. When you are breaking into the field of merchandising and you want to get together a selling force the first thing to do is to secure a capable sales manager. Now while you might sometimes find it expedient to take on a more or less experienced salesmen, never engage a sales manager who is not experienced for no one can handle a selling force but an expert, and experience is the only school that turns out experts at the selling game.

In Chapter IV we have given a number of cardinal qualities that make for successful salesmanship and an efficient sales manager should have these qualities to a goodly degree plus an abundance of executive ability. He will then be able to direct salesmen under him

who are not so liberally endowed and under his guidance they may do nearly as well as he could do himself. So in selecting a sales manager satisfy yourself that you are getting the best you can afford and strain your exchequer to afford the best.

On Hiring Salesmen. As the head of the firm you will have personally to select the sales manager. If your judgment has served you well your troubles are over for he will be more competent to pick the rest of the selling force than you are.

Indeed this is a part of his job and you should by all means let him do it; further, since he is to be their director, and since they must recognize him as their supreme chief, it is only fitting and proper that he should not only choose but hire them. It is easy to see that if you take it upon yourself to hire them they will naturally consider you as the boss and while this may seem the logical thing to do, coöperation will fly out of the window and the future efforts of your sales manager will be less effectual.

The thing to do then is to give your sales manager full swing and let him hire the sales-

men, for then they will feel they are directly responsible to him and this desirable relation can be gained in no other way.

A Useful Question Form. A form embodying the following questions may prove of service in determining the merits of applicants, especially where you have to deal with a large number of them.

(1) State last position held and in what capacity.

(2) Give reason for leaving last position.

(3) The products you are familiar with and those you are capable of selling.

(4) Territories you are familiar with.

(5) References.

(6) Salary you expect.

Mapping out Territory and Routes. The next thing your sales manager does after he has hired the selling force is to map out the territory each man is to cover and to route it. In doing this he takes care that the allotments do not overlap each other and that the one given to each man is the one he is capable of covering the best.

Many a salesman has fallen down because he was given territory which he believed he could

not handle. The secret of successful selling depends to a very considerable extent upon the salesman's confidence in himself and the feeling that everything is right.

Being an old-timer at the game, the sales manager will assign each man to the territory for which he is best adapted, map out the routes, and figure out pretty closely what their expenses will be. After he has done all this he will submit his plan to you for your approval.

About Handling Side Lines. One thing both you and your sales manager must insist on, and that is your salesmen must not handle side lines, except a side line of joy. By this is meant that they must not carry other samples and try to sell other goods for other individuals or firms while they are working for you no matter how little of their time it takes.

The reason for this is that a salesman who handles a side line simply cannot give your business his whole-souled and undivided attention, and as a result your business will suffer.

Very often a salesman who handles a side

line will work for less money than one who does not, but in the long run you will find that he is not only expensive but actually detrimental to you. Your sales manager will make his men understand from the start that he will not tolerate side-liners and he will enforce this rule by discharging from the force any salesman, however good, who is found disobeying this order.

In more than one instance a salesman has started out for a firm who gave him a drawing account. In due time he took it upon himself to carry a side line simply to buy shoes for the baby. The next time we meet him his side line has become his main line and the latter has dropped into second place and the firm who financed him is getting a cold deal.

What System Does for Selling. System is a vitally necessary adjunct of organization. Where organization facilitates the transaction of business through the distribution of duties, system facilitates the transaction of business in virtue of reducing these duties and lightening them as far as possible.

Every sales manager has his own ideas as to the installation of a selling system and we can

safely say that there are at least a hundred different kinds in use. In general though they are all based on the same definite fundamental principle, and hence they are simply modifications, variations, and ramifications of the original principle. When your sales manager has put up his system to you and you have found it to be sound, let him go ahead and install it and use it in his own way.

The basic principle of selling systems is simply a means of keeping in touch with each salesman day by day. There is only one way to do this and that is by correspondence, or as it is called, *paperwork*. Now paperwork of any kind, however needful, is always a bugbear to everyone who has anything to do with it, and the larger an organization becomes the more paperwork is necessary to take care of it.

Not infrequently what would otherwise be a smooth-running piece of machinery becomes so clogged by its paperwork, which the system necessitates, that it stops the wheels of progress, as for instance is often the case in the army.

The more complicated the system that is used in selling, the more of the traveling sales-

man's time it takes from his work, the more time and space it takes up in the sales manager's office, and the harder it is to get at it when it is needed. Consequently an efficient system is one in which the paperwork is minimized to the greatest possible extent, and it is the concensus of opinion of sales managers that an *abridged card index* system provides this in the simplest and best way.

The Card Index System. There are three important items of information that a card index system must contain, and these are (1) a report of the sales made by the individual salesman; (2) a report on the prospective customers visited and in line for sales; and (3) a report of the expenses incurred by the salesman.

With this data received every day the sales manager can keep a close grip on the selling situation in the various territories his force covers and also on the individual work of each salesman.

A good form for this information is a card of such size that it can be conveniently filed as shown at the left in Fig. 6 which is the obverse side and at the right which is the reverse side. One of these cards is filled out every day by

the salesman at the hotel, on the train, or any other place where he may have the time and inclination. He can do it in a few minutes and

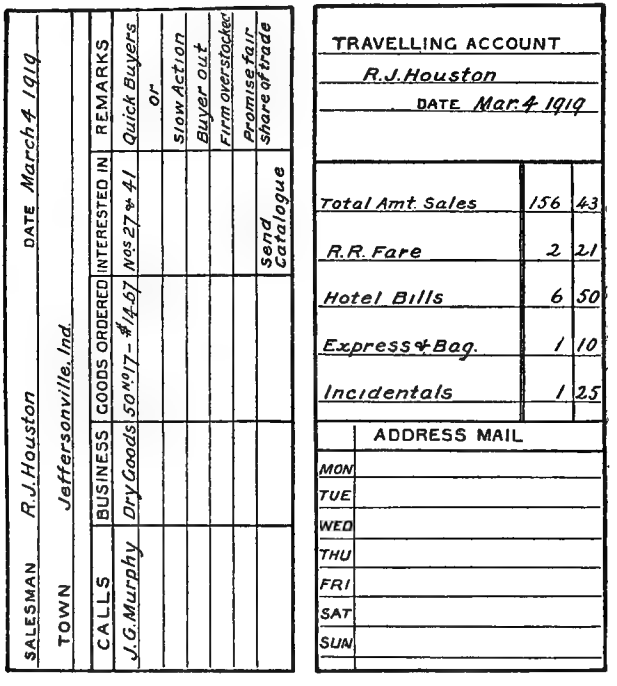


FIG. 6.—SALESMAN'S REPORT CARD.

without inconvenience, and when done he has only to enclose it in a stamped and addressed envelope and post it.

These index cards get away from the former tiresome long-winded letters in which the

salesman either boosted his abilities when things were middling fair, or knocked the conditions, and everything else but himself, when sales fell off.

Doctoring up Sick Sales. The sales manager's work does not end with the card report system. Besides keeping tab on his salesmen with it there are other means by which he keeps in touch with the various conditions as they actually are and this enables him in a measure to verify his report cards.

There are two things that he receives from every business center around which his salesmen are working and these are (1) newspaper clippings of financial conditions and bank clearings and (2) weekly weather reports.[1] Here is a concrete example of how this information is made use of.

Suppose that Jones, a salesman, is covering a rural route. From his card reports Brown, the sales manager, discovers that Jones's sales are steadily dropping off. To offset this, Jones has written in and explained that it is due to a local financial depression owing to the failure

[1] These can be obtained from the U. S. Weather Bureau at Washington.

of the crops in that section caused by a late spring frost.

Comparing these statements with his financial clippings and weather reports of that locality, Brown observes that there has been no decrease in the bank clearings, that the weather has been favorable for crops, and that everything is as rosy as could be. The sales manager knows that Jones's hard-luck story is false and that for some reason or other he is laying down on the job. Consequently Brown writes Jones a letter, containing a few facts and much good advice, with the result that when the latter reads it he is more or less surprised and sees that the only thing for him to do is to buckle down to business and he usually does it.

Keeping your Force Going Strong. There are many things that could be said about how to keep your selling force *going strong*, that is up to its highest efficiency, but the three following points are the most important, namely: (1) the *balanced force*, (2) the *understudy system*, and (3) the *competitive spirit*.

As an illustration of the balanced force, suppose Brown, the sales manager, has three salesmen, Jones, Wilson, and Williams, covering a

certain territory in the fruit belt. Through the bank and weather reports Brown finds that the clearings are falling short of the normal and that a cold wave is expected.

It does not take much analytical power on his part to know that although the sales have not yet dropped off they will soon for the cold wave will kill off the early fruit and then money will get tight.

What does the sales manager do? Why, he withdraws Jones and Wilson from the doomed territory at once and puts them on another assignment where there is every indication of coming prosperity. In this way he keeps his force *balanced* with the financial depressions and rises as they occur, and he is thus able to cope with the former and meet the latter successfully.

The knowing sales manager will have for every one of his important salesmen an *understudy* who can take his place on short notice. Then in case of sickness, desertion, or the death of a salesman, the situation can be saved without loss of time.

One of the things that tend largely toward the maintenance of an efficient selling force

is the promotion of a competitive spirit between the salesmen themselves and between his force and the forces of rival concerns by the sales manager. In virtue of his personality a clever sales manager can instill this spirit in his salesmen, for, since they are only human, they will often appreciate his praise as much, nearly, as a more substantial reward, and especially is this true where the commissions are liberal. The competitive spirit will never flourish where starvation wages rule, on the other hand the profit-sharing system of rewards is a mighty fine plan to foster and maintain it.

But whatever the scheme used for this purpose is, care must be taken that it does not discourage any salesman and so cause him to lose interest in his work.

CHAPTER III

HOW TO PICK LIVE WIRE SALESMEN

The Need of Live Wire Salesmen—Live Wire *versus* Jim Crow Salesmen—Varieties of Salesmen—The Qualities of High Grade Salesmen—On Personal Appearance—About Wearing Apparel—*Re* Facial Characteristics—A Vigorous Personality—The Physical Body—The Mental Self—Conversation—Using Tact—Good Memory—His Moral Fiber—Picking Live Wire Salesmen.

IF you are a *live wire* salesman yourself, you will have small trouble in knowing another live wire when you see one, and none at all in picking him out from among his less gifted brethren.

On the other hand if you are starting a business which requires a selling force, as nearly all of them do, and you are new at the selling game yourself, you will be at a loss to pick out from among the large number of applicants who present themselves as first-class salesmen those who are really aggressive and those who only think they are.

The Need of Live Wire Salesmen. There are two chief ways of selling goods and these

are (1) by direct sales made by salesmen and (2) by reaching the customer through the mails. The first is the way we shall take up here for the second is a separate and distinct branch of selling which we will consider later, but in any event practically every business must employ salesmen in some capacity or other.

It goes without saying that it is not nearly as hard to keep up an efficient selling force in an established business, as it is to organize such a force for a business that has just been started, and it stands to reason that anything less than an A1 force of salesmen at the beginning spells failure, if not utter ruin. Hence when you start a business of any magnitude you must have live wire salesmen and to get them you must know how to pick them.

Live Wire versus Jim Crow Salesmen. That you may not become sulphated in the bath of your own inexperience, let's see before we go any further just why an aggressive selling force is absolutely necessary to any kind of a business organization, but most of all to a new firm, especially if it is trying to market an untried product.

An experienced salesman for a new firm will not only succeed in selling its product to the best advantage and fullest measure but he will do even more, and that is to keep friends with his old customers and to make friends of his new customers. It takes only half-an-eye to see that the cordial relations he establishes with his customers is of the greatest value to you, for as long as he stays with your firm his customers will always be buyers of your products.

So strong is the tie that binds the salesman and his customers that the heads of a firm bank on it that when a salesman goes over to a rival concern his customers will stick to him and, of course, this means that they will buy of the firm he represents. This is simply because they like and believe in the salesman—not altogether good business logic perhaps but just another manifestation of human nature

Diametrically opposed, an *nth* rate salesman will not be able to hold your trade, even if he manages to transact some small business for you, and this may be due to any one of a number of reasons.

Thus he may understand the importance of

establishing friendly relations with his customers but he hasn't the happy faculty for doing so, and what is worse, he is quite as likely as not to make his customers dislike him. When this reaches a certain critical point they are apt to conceive a dislike for your goods.

From this you will gather that unless you employ the right kind of salesmen in the beginning of your endeavors you might as well close up shop, for this kind of denatured salesmanship will cause you untold worry and more financial loss than you can stand.

Varieties of Salesmen. Generically speaking there are only two kinds of salesmen and these are (1) the *fixed* salesmen and (2) the *traveling* salesmen. All salesmen who sell goods of whatever kind in shops and stores, at retail or wholesale, come under the first classification. The second class includes those salesmen who travel from place to place whether they are house to house canvassers, or salesmen who cover a certain prescribed territory of the country in the interest of big business.

Now what we are going to tell you about

salesmen holds equally good for either of the above kinds and in judging and selecting them it will be to your eternal profit to heed the advice of a couple of old timers who have gone through the mill and know the ropes.

The Qualities of a High-Grade Salesman. There are two things that you must look after in taking on salesmen and these are (1) his *personal appearance* and (2) his *personality;* naturally the first has to do with his physical aspect and the second is chiefly a matter of his mental attributes. Without these two prime factors expanded to a proper degree a man is not likely to be the salesman he thinks he is and you wish he was.

On Personal Appearance. Much depends on the personal appearance of a salesman and on other outward signs that loom up which seem to indicate the solidarity of the house he represents. Here again must the peculiarities of human nature be taken into consideration.

When a customer has before him the visual evidence that all is right, and at its best, it puts him in a favorable frame of mind and conversely, when things do not have the right look he jumps at conclusions as before and he has an

uncomfortable feeling. The personal appearance of the salesman, then, goes to make a good impression on or else it grates on the nerves of the customer, and so small a matter as this may either make or break a sale.

The personal appearance of a salesman can be divided into two parts and these are (1) his *wearing apparel* and (2) his *physical characteristics*.

About Wearing Apparel. To lay down a hard and fast set of clothing specifications for a salesman would certainly be a man's job but in any event his dress must be in good form. By this we mean that a salesman for a maker of men's clothes or a suit and cloak house can afford to look like a fashion plate, if he wants to, for this style of dress would be in keeping with his business at least. In this case his clothes would impress some of his customers with the idea that the goods he sold them would likewise be up to date.

But you can see that such an outfit for a salesman of farm tractors would be entirely out of place and a farmer would quite naturally conclude that a "gol dern dude" like him couldn't know anything about machinery. If

a salesman feels that he wants to dress the part he must use mighty good judgment or he will make a grand fiasco of his whole effort.

There are, however, some hard and fast rules about the way a salesman should dress. First, his clothes must always be good, neat, and well-fitting and his linen immaculately clean. Second, he ought to look prosperous but never flashy because trick clothes carry with them the suggestion that he is a lightweight. Some salesmen try to cover up mediocrity with loud clothes and hence this style is also tabooed.

But don't lose sight of the fact that the salesman himself must be entirely satisfied with his own personal appearance, for no man can sell goods if there lurks within him the idea that he is not dressed right.

Now about salesmen who wear jewelry. Many sales managers do not advocate the wearing of jewelry, but here again a little common sense will clear up the issue. As long as jewelry is worn that does not offend good taste it will not stand in the way of a sale, and if it inspires self-confidence in the salesman it will prove an aid to him. An ex-

cess of jewelry, however good, always creates a bad impression in the mind of the solid customer as it suggests the confidence man.

Facial Characteristics. There are some salesmen who have not a naturally pleasing facial expression. If a man's face looks as if he was soured on the world he can't hope to compete with men who are always genial. The trouble with a lot of salesmen is that they take themselves too seriously and if they are fairly good they think that neither the firm nor their customers can get along without them. A cheerful expression can be acquired by anyone if he starts in early enough, so tell your salesmen to begin to look pleasant *now*. The physical and mental qualities are shown diagramatically in Fig 7.

A Vigorous Personality. There are three elements which when combined make up a potential personality and these are (1) *physical health*, (2) *mental vigor*, and (3) *moral fiber*. Of these the first two are the most important to the salesman although the third must be duly considered.

Your Physical Body. You have probably noticed that big men, that is men with beef-

on-their-bones, are usually good salesmen and this is especially true if they have anything like proportionately big minds.

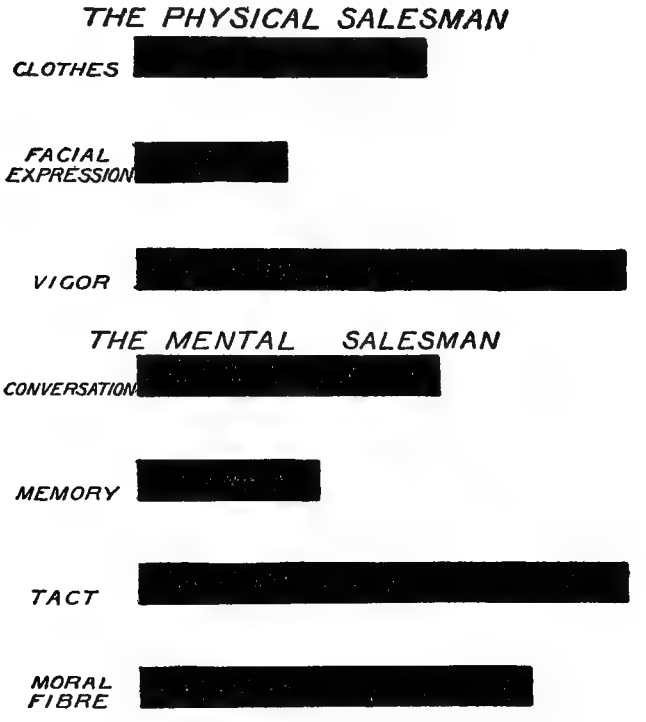


Fig. 7.—The Make-up of a Live Wire Salesman.

Men who are physically large have, as a rule, what is frequently called *personal magnetism*, that is they attract other men to them. As a matter of precise science there is no such thing

as personal magnetism, that is magnetic lines of force are not set up and radiated by the human body as they are by an iron or a steel magnet nor has it ever been shown that a magnetic field has the slightest effect on living matter.

Don't, then, as you value your time and money, waste either on literature that purports to teach you personal magnetism, animal magnetism, mesmerism, hypnotism, or anything else that is neither science nor business.

In physics, however, there is an attraction between all bodies, or *mass attraction* as it is called, that is a gravitational force which is exerted between bodies, and a large body has a greater attraction for a small body than the latter has for it, and so draws it to it; hence large men exert a mass attraction for small men.

As an example a well-known corset manufacturer of small stature discovered that although he built good corsets his customers did not like him, his personality was *nil*. He was shrewd enough to guess that sales were lost when he was merely present, and frequently because he met and talked with his customers.

He thought long and hard about his steadily

declining business and he decided to put a new policy into effect. First he got together an executive and selling force of large men and then he himself disappeared from the sight of his customers. Soon after his sales began to increase and he is still doing business at the old stand. This tale sounds like fiction but it is gospel truth and you will do well to take cognizance of the moral it carries.

Your Mental Self. What is of far more importance than mass attraction is an alert, quick, and vigorous mind and this in the final analysis is the essential feature in the making of a successful salesman. You can overcome bodily bulk by sheer mentality but you can't overcome the power of the mind by putting mere mass against it.

But if a salesman is handicapped physically by his small size he must counterbalance it by the force of his mental vigor. Now there are three chief things that have to do with a man's mind in so far as his ability to sell goods is concerned and these are (1) *conversation*, (2) *tact*, and (3) *memory*.

Conversation. To be a convincing talker a salesman must be a good thinker, grasp new

ideas quickly, and enlarge upon them, and he must have a fair vocabulary, that is a stock of words.

Flowery words are all right for a poet but they are of no value to a man who is trying to impress a customer with the worth of his goods. Good, snappy, vigorous words that indicate power, work, speed, sales, money, success, etc., are the kind that catch and hold the attention and interest of the customer—words that he can visualize, that is, get a mental picture of, and which look like dollars to him.

To be original is a very great asset for a salesman for it is that faculty which enables him to be aggressive. It consists of an inventive and executive ability by which he can overcome the difficulties that crop out in the course of a selling talk. A good talker not only has a strong selling vocabulary but his voice acts as a resonator and amplifies what he says. To have this quality a voice must be clear and strong, not necessarily musical, but good to listen to.

A salesman who will practice fifteen minutes a day—thirty is better—putting forth his selling talk either in his room or out in the

woods; taking care to pronounce his words distinctly and correctly and to use a pleasing tone, will soon be able to express his thoughts in smooth, vigorous language, and in an easy style which will go a long way toward selling your goods.

Using Tact. The matter of using tact is not so easy to learn but it can be done. There are two kinds of tact and these are (1) *near tact* and (2) *real tact*. Tact has been defined as *nice discernment* but when applied to salesmanship it means the art of saying what you want to say to a customer without aggravating him.

Near tact is the kind that most salesmen have; it consists of enough discernment on the part of the salesman to realize when his statements are being received unfavorably by the customer, and sufficient intelligence to switch over to a more pleasing line of talk.

Real tact consists of sufficient discernment never to say anything to which a customer can take exception, and it is a rare and valuable trait. We say *trait* but after all *habit* would be the better word, for tact is largely a matter of getting into the habit of saying the right thing

at the right time. Naturally the best salesmen are those who have the most tact.

Good Memory. Memory is another important factor in determining the efficiency of a salesman. Memory can be divided into two parts from a salesman's standpoint and these are (1) a memory for faces and names, and (2) a memory for words, phrases, and selling points.

To have a good memory for faces and names is an essential part of a salesman's mental equipment. It is obvious that he must be able to recall instantly at any time and place the name of a customer he has once met. There is nothing that a customer likes better than to be recognized instantly by a salesman and called by his right name. It pleases his vanity for it places him on an imaginary pedestal of near-greatness with the great.

Of course a salesman must remember all of the important data and selling points about his goods and the interesting processes in their manufacture. All this is easy enough for most salesmen but where lots of them get hard pressed is in not being able to keep the continuity of thought intact as they push along through the various selling stages.

The way to circumvent this kind of an erratic memory is to have a cut and dried outline of the selling talk and to get it down pat so that when a customer breaks in with a little talk of his own the salesman can reply and then go on and pick up the thread of his discourse at the exact point where he dropped it.

His Moral Fiber. To be a continuous successful seller a man's moral fiber must be as tough as they make 'em. He must be as straight as a die and must pursue an unswerving course of honesty in dealing with his customers. To do this he has got to come pretty nearly being what is commonly called a *white man* not only in his business life but in his social life as well.

Sticktoitiveness is another crowning quality that is included in the term moral fiber and many salesmen, who have little real selling ability, hold their own against those of more ability because they possess an overabundance of this sterling-qualification.

In football it is this force that keeps a man bucking the line when the game is lost and he is fagged out, only in football they call it *guts*, whereas its real name is moral tenacity.

Picking Live Wire Salesmen. All through this chapter we have been citing the qualities you must look for in live wire salesmen and if you are young in the business you can take a hint and embrace them yourself.

To pick a live one from a bunch of applicants, don't do it on first sight or on the strength of a letter a salesman writes you. On first sight it is possible to miss some of the sterling qualities for which his tribe is noted—that is if he has any. As for a letter he writes you, it may be that he can express himself far better on paper than he can by word of mouth, or he may get a stenographer to write it for him.

The best plan is to give each of the more promising applicants all of the literature and such selling data as you have on your product, tell him to take it home with him and to come back the next day. One by one they will present their different ideas for selling your goods and, knowing them so well yourself, you will have very little trouble in picking the live-wires from the dead ones. Your live-wire will have a smooth and easy bearing, a vigor of speech, and an abundance of selling points that

distinguish him at once from both the novice and the old-timer of mediocrity.

By using this method you can weed out the inefficient salesmen and secure those who will handle your product to the best possible advantage.

CHAPTER IV

SELLING OVER THE COUNTER

Selling over the Counter *versus* on the Road—How to Sell over the Counter—How to Arouse Curiosity—Why an Attractive Display Must be Used—Various Kinds of Display—Why Live-Wire Salesmen are Necessary—Kinds of Customers—The First Kind—The Second Kind—The Third Kind—Making a Sale over the Counter—The Counter Salesman and His Stock—Arranging and Systematizing Stock—How to Organize a Sales Force.

As you have seen, the foregoing chapters of this book cover basic principles that have to do with salesmanship in general, and consequently the principles put forth hold good equally for automobile, life insurance, or any other kind of salesmanship, and hence, they also apply to selling over the counter.

For instance in the first chapter we gave you the five simple elements needed to make a sale and these are also steps in counter selling, except that in the latter case some of them are greatly abridged and abetted because of the fact that it is the customer who approaches the salesman—and usually with the desire to

buy already in his mind—and not the salesman who approaches the customer as in most other kinds of selling transactions.

Also in the matter of dress and personality all that we have said in the chapter on *How to Pick Live Wire Salesmen* is just as true in the matter of choosing counter salesmen, and finally, in Chapter II, the fundamental principles for the organization of a master selling force are laid down.

From this you will see that by a careful study of the first three chapters you will have at your finger's ends the ground rules of success for any kind of selling and salesmanship in general, and, it follows, for selling over the counter. There is more, however, to successful counter selling than the cardinal principles involved and it is intended in this chapter to bring out many of the other big and little points.

Of course in the last analysis the salesman himself is of the most importance, but his importance is much less than that of the traveling salesman to his firm, as you will presently see.

Selling Over the Counter versus on the Road. The reason the counter salesman does

not measure up in importance to the traveling salesman is that it is much easier to sell over a counter than to sell on the road. Therefore it is unnecessary for retail stores to employ such high grade salesmen as those employed by firms who send them on the road.

Do not understand this to be an odious comparison or intended to depreciate the value of the counter salesman or, further, to insinuate that he can be any the less skilled in his branch of the art than the traveling salesman, but what we intend to imply is that his branch is one that does not require as much skill and tact as that branch his traveling brother is engaged in.

To make this point clearer, if you are a traveling salesman you often have to deal with men who at the start have no idea of buying and it is your part of the game to set up in the minds of such men the desire to buy your goods. In order to do this you must cleverly go through the five basic steps in making a sale and everything depends on your initiative and skill.

How to Sell over the Counter. But when a customer goes into the store and up to the

counter the great need for initiative is much less on your part, assuming now that you are the counter salesman.

Two reasons can be cited for this and these are: (1) the customer approaches the salesman, thereby taking upon his own shoulders the burden of initiative and so causing the introduction to be gone through with quickly and more or less mechanically, and (2) in the majority of cases the customer has a definite idea of making a purchase before he enters the store. In other words the customer's attention, interest, and desire are aroused beforehand, often through the medium of advertising matter, store display, or hearsay, and this, sometimes, to a very considerable degree.

Upon the extent to which these things exist in the customer's mind depends the amount of initiative and skill needed by the salesman to change the resolve to buy into action. Obviously if attention, interest, and desire are well advanced, then it requires but a mere superficial display of the goods by the salesman to make the customer buy, for the resolve to act is in reality subconsciously planted in his mind.

On the other hand if these steps are not so well developed, then his attention and interest are the result of idle curiosity and as yet there is no resolve to buy. Incidentally we may mention something which everybody knows, that, with women customers, curiosity plays a much greater part than with men.

To differentiate between these phases of the customer's mental states, a counter salesman must know the principles of selling if he is to sell to all comers; and unless curiosity can be nursed along into a well formed and definite resolve to buy, the sale is lost.

A cursory display of goods is not always enough to lead curiosity into desire and thence into buying action. Curiosity however is one of the most helpful aids to salesmanship and for a salesman to lose a sale where the customer already has it is nothing short of a crime.

How to Arouse Curiosity. There are several ways by which it is possible to arouse curiosity and its logical sequences, of desire and buying action. The first and foremost of these is by advertising. The second is by means of display and this, according to lexicographers, means to spread out, unfold, or exhibit. In

selling parlance, however, it means to show goods in an *attractive* and *favorable* manner to the public gaze.

Why an Attractive Display Must be Used. There are two chief kinds of display used in retail stores. These are (1) the window display and (2) the counter display.

Both kinds have dual purposes and these are (*a*) to augment the advertising the store does and (*b*) to awaken dormant curiosity and to arouse stagnant interest when advertising has failed for one reason or another.

Thus when you read in the morning paper about a suit, of its style, of its quality, or of its low price, or of all these things rolled into one, there is awakened in you a sufficient interest to cause you to go to the store and see it.

This interest consists chiefly of a desire to merely take a look at the suit and perhaps examine it at close range and so discover for yourself if it is as the advertisement claimed it to be or not. When you reach the store the window display satisfies your desire to see the suit but it does not satisfy your desire to examine it closely; but what it does do is to *intensify* your interest in it.

On reading the advertisement and looking at the picture accompanying it you visualized the suit in your mind's eye, and now the window display materializes it for you in the concrete. You have actually seen the suit and yet because the plate-glass window intervenes between you and it you have been baffled in your desire to examine it closely.

Your natural tenacity of purpose will next induce you to go into the store and to that part of it where you can examine the suit at first hand. There you are confronted by a suit on a tailor's dummy or perhaps a counter display. The purpose of this display is either to (1) further stimulate the interest created by the window display, or (2) to create interest in those who failed to see the window display.

In counter display the goods are exhibited in various pleasing and interesting ways, thus building up new ideas in the customer's mind and giving new cause for interest. Hence by the time the customer is shown the goods by the salesman these clever displays will have turned his curiosity and interest into the desire to own and it only remains for the salesman to induce the buying action.

The second purpose that displays serve is to interest the passer-by. You must have often observed that when you pass by a clever window display you are attracted by some article or piece of goods, and you were almost unconsciously led inside the store. Once there, a salesman took you under his wing and carried you through all the selling steps until you finally bought—and all because of the initial interest awakened in you by the display. The diagram in Fig. 8 shows the idea.

Various Kinds of Display. To properly display goods is an art in itself and one which requires both genius and experience. Now there are four chief things that a display must do and these are (1) to please the prospective customer's sense of the artistic; (2) to arouse his interest; (3) to appeal to his discernment of quality or merit and utility; and (4) to challenge his judgment of values.

The successful window dresser usually combines all of these elements in his work, laying stress on the particular one which is in keeping with the class of customers the store has to deal with and which will be described later on.

If you are running a small retail store and

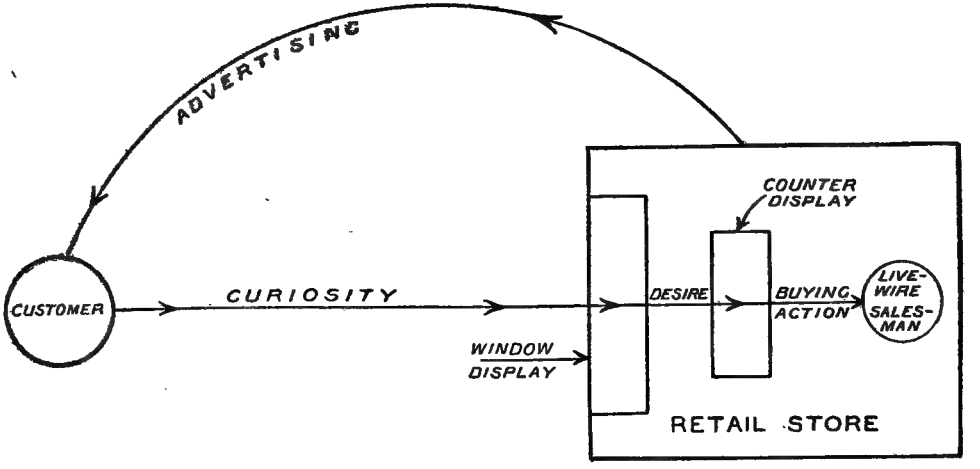


FIG. 8—THE MERCHANTS' SELLING AIDS

you will take the foregoing points into consideration you will be able to do your own display work, providing you have a little natural ability along this line. But if you find it to your advantage to employ a good display artist, he will get results that you would have difficulty in obtaining yourself, for this is the day of specialization.

Why Live Wire Salesmen Are Necessary. The counter salesman must be a *live wire* just as much as the traveling salesman. The appearance and personality of the salesman must measure up to the standards set in Chapter III. He must have a certain amount of initiative, tact, and sticktoitiveness if he is to make the maximum number of sales.

For now even though the customer's mind be bent on the purchase of a given commodity, if the salesman does not possess all the qualities of his traveling brother there will be, more than likely, a hitch somewhere between the time the customer meets the salesman and the time when he *should* resolve to buy and pay the purchase price.

Then again every customer must be handled a little differently for there are (*a*) some in

whom the resolve to buy is already fixed; (*b*) others in whom there is only the desire to own; and (*c*) still others in whom curiosity alone exists. The clever salesman determines almost the instant he comes in contact with a customer just which of these three cases he has to deal with and he acts accordingly, with the result that he sells to all of them.

On the other hand the poor salesman makes no distinction whatever between them but treats all comers and all cases exactly the same, and he loses two out of every three possible sales. As the matter of sales is a vital one let's take three different customers approaching a counter salesman and, further, let's take it for granted that each represents one of the cases above described.

Kinds of Customers. The First Kind. The customer who has resolved to buy goes to the counter without any hesitancy and asks to be shown the article he wants. He may ask a few questions as to its size, style, quality, or usefulness but because he has made up his mind to buy it he will not be likely to mention the price.

The Second Kind. Now let us consider the

second case, namely, that of the customer who desires to own the article but has not yet resolved to buy it. He walks up to the counter and his first questions will usually be based upon the points that are still doubtful in his mind, that is to say, if the price is the great object with him he will immediately begin to talk price, whereas if quality is his weak spot he will open fire on quality.

It is a little harder for the salesman to sell to this customer than to one of the first kind because he must create in him the resolve to buy. To do this he has only to meet the customer's questions as to price or quality in such a way as to satisfy him. From this time on the closing of the sale is the same as in the first case.

The Third Kind. Comes now the case of the merely curious customer who indifferently approaches the salesman. He is the hardest of all to sell to, for the salesman must lead the customer from mere curiosity to an intense interest, then the desire to own, and finally, the resolve to buy.

As before the salesman will take his cue from the nature of the questions asked and

having once found the point of the article on which the customer's interest centers he will bend all his energy to convince him that the article under discussion fulfills his requirements in every way. Fig. 9 shows diagrammatically the three kinds of customers to whom you have to sell over the counter.

With customers who are idly curious the hardest part of a salesman's task is to find a point in the article that will really interest the customer. The following story points out what we mean by the term *idly curious*.

A lady went into a large dry-goods store and asked the salesman to show her some silk dress patterns. He took down several bolts and expatiated on their numerous merits but could not get her interest, or *point of contact*, as it is sometimes called.

Believing that if he found the right pattern he could substitute interest in her mind for mere curiosity, he took down bolt after bolt until but a single one remained on the top shelf. Then the kind lady gently informed him that she didn't want to buy a silk dress pattern that morning anyway as she was only looking for her friend Mrs. Green.

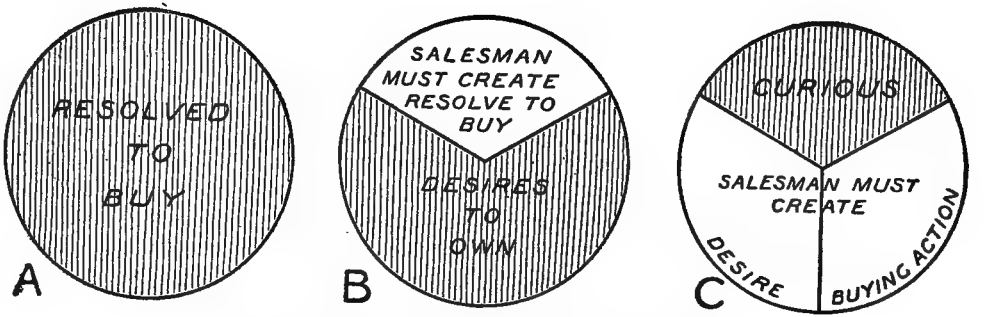


FIG. 9—THREE KINDS OF RETAIL CUSTOMERS

"Well, madam," replied the discouraged salesman, "if you think your friend is in that last bolt up there I'll willingly take it down for you." Obviously he had missed the point of contact.

Finding the point of contact is the keynote of success in selling not only to the merely curious but to the wholly disinterested customer, and often to the antagonistic person who has absolutely no intention of buying. In the next chapter you will find a fuller explanation of the point of contact and its relation to successful selling.

From what has gone before you can see the necessity of live-wire salesmen in your retail store. Of course, in a large department store where an army of salesmen are employed it is next to impossible to have every salesman a top-notcher. Inexperienced salesmen must be hired to keep the selling force up to the requisite number.

But even under these adverse circumstances the selling heads realizing the importance of having every salesman a live wire, will see that each one employed is given instruction in selling and in this way the whole force will in

time be selling according to the scientific principles of salesmanship.

Making a Sale over the Counter. As we have mentioned before, your customer is in one of three mental states when the salesman meets him. To the customer who has resolved to buy, the price of the article is of small interest as he has resolved to buy, and, hence, to pay the price. It is a waste of time for the salesman to enter into a discussion about the price, and if he does, it may even make him lose the sale.

If, however, the customer has only a desire to own the article then there are three things that will be of interest to him and these depend on what kind of a buyer he is. These are (1) those who examine the suitability of the article; (2) those who buy with the price alone in mind; and (3) those who combine both of these ideas in their buying.

The first class are usually those who have plenty of money and price does not concern them. The second class may or may not have money but either their dispositions make them close buyers, or necessity drives them to it. The third class, likewise, may or may not have

money but they form the larger part of those who buy logically, that is, with an eye to worth balanced against price. They are the sane buyers and it is easy to sell to them.

The salesman then must be able to tell to which class the buyer belongs, and to adjust his selling talk accordingly. For those in the first class he will base his talk upon the interesting points and the suitability of the article to his needs and leave out all mention of price or value.

With the second class he will work on their desire to get something really good for very little money. He points out why the cheap article is just as serviceable as the more expensive one.

With the third class the salesman will base his talk upon the fact that no better article can be bought at any price, in other words that the article he is selling them is worth the price he is asking for it. These are the three chief things a counter salesman must know and be able to use in order to be classed as a first-rate salesman.

The Counter Salesman and His Stock. It goes without saying that the counter sales-

man must know his stock thoroughly. Specifically he should know:

(1) Its purpose or what it is used for, as without this knowledge he cannot hope to converse intelligently about it.

(2) Its principal parts, that is, the things essential to its operation or manufacture, for these things are interesting to the customer of an analytical turn of mind.

(3) Its style or design, and how it is styled or designed to meet the needs of the customer.

(4) Its make and why it is better than any other make, if indeed it is.

(5) Its finish or effect, and this consists of knowing how the article as a whole is finished and how it looks.

(6) Its history or sentimental value; as a sample take the sale of antiques and oil paintings, in which line the whole of the salesman's talk must be based on the history, or sentimental value of the articles he is selling.

And finally (7), the price of the article in relation to its economic value and the effect of both of these on the customer.

Arranging and Systematizing Stock. In every line of business the stock must be ar-

ranged and systematized so that it can be handled quickly and safely. Especially in selling over the counter this is a very essential feature. Few customers indeed will wait for a salesman to hunt through his stock for an article, and many a sale has been lost simply for the want of a little system.

The initial cost of adequate shelving, drawers, counters, and showcases is a good deal, but such an equipment is amply paid for in the saving of time, room, and goods, and the sales it promotes.

Essentials of Stock Disposition. There are three essentials in the disposition of stock in a store and these are: (1) the ease and rapidity of handling it, and this, of course, includes accessibility; (2) safety, and this includes cleanliness; and (3) visibility, that is, it is arranged so the customer can see it.

Whether cleanliness is next to godliness or not depends largely on the personal viewpoint but in counter selling it must be had at all cost. No matter how fine the goods are, how strong the customer's desire to buy, or how good the salesman, if the articles are dusty, dirty, or faded he can get only shop-worn

prices for them, if indeed he can sell them at all.

How to Organize a Sales Force. To organize a sales force follow the instructions given in Chapter II. In the retail store the aisle managers are the sales managers of the aisle forces. You must have aisle managers not only because of their ability to oversee and direct the selling efforts of the force under them but because every aisle must have a responsible head who can be relied upon.

In large department stores the salesmen are under the supervision of the aisle managers, the aisle managers under the floor managers, the floor managers under the department heads, while the department heads are under the supervision of the sales manager.

CHAPTER V

SELLING TO THE RETAIL TRADE

How to Interest the Buyer—About the Point of Contact—What the Salesman Must Know—On Selling to the Retailer—The Art of Making Repeat Sales—On Making Hurry-Hurry Sales—Letting your Advertising Sell the Retailers' Goods.

WHATEVER kind of a merchandising business you may have there are four general outlets for your product. These are (1) to sell to the customer direct by means of house to house canvassers, or through stores or agencies of your own; (2) to sell to the retailer by means of traveling salesmen; (3) to sell to the wholesaler direct, by traveling salesmen or through a commission house; and (4) to sell to the general public, which consists chiefly of the consumer, through the mails. These schemes are pictured in Fig. 10.

It stands to reason that within certain limits, the larger the quantity of your product that you can sell at one time the lower the price you can sell it for. This is easy to see

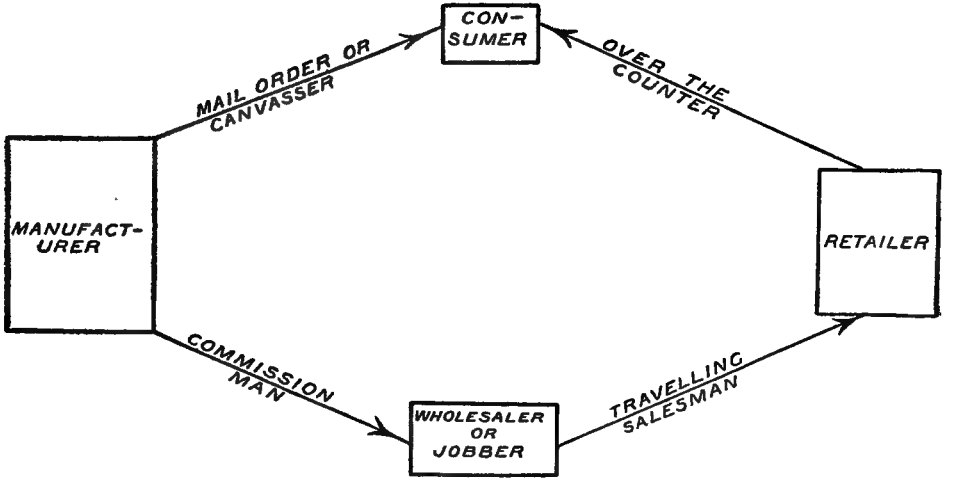


FIG. 10—THE BIG DIAMOND OF THE SELLING GAME

through for the larger the quantity of goods you manufacture the lower will be the cost of production on each lot.

Now since you can sell to the retailer a much larger quantity of your product than you can sell to a single consumer you can afford to quote him a lower pro rata price, for where you would have to pay twenty-five salesmen to sell one thousand articles to the consumer direct, you have to pay only one salesman to sell the same number to the retailer.

Nearly all large retailers employ what are known as *buyers* to do their buying for them and you will find the reason for this explained in Chapters IX and X. The proprietors of most of the small retail stores act in the capacity of buyers themselves.

Usually the buyer is a salaried man just as a counter salesman is and since it is his business to buy, your salesman should have no trouble in selling to him provided that he can interest the buyer in your product and convince him that his house can dispose of it easily, quickly, and profitably.

How to Interest the Buyer. The first move

to make then is to interest the buyer in what you have to sell and the way to do this is to establish friendly relations with him at your first meeting. When you have once done this you will have a clear track for selling him then and for all time thereafter.

Now there are three chief features that make for successful selling to a buyer and these are (1) a good article at a low price; (2) a strong selling talk; and (3) a winning and forceful personality. There is, however, one other feature, that, however foreign it may seem to selling and buying, still plays an important part in promoting sales and this is *entertainment.*

By *entertainment* we mean that part of it which has to do with the inner body, namely, good food and plenty of it. A man or woman buyer is never in so receptive a state of mind as immediately after a good meal. There is no psychology in this scheme of selling, but just vulgar physiology.

After a good meal the buyer will feel at peace with you, himself, and the world in general. Again you will find that dining with a buyer often puts you on a very friendly

footing with him which you could not obtain in months by ordinary business transactions, and moreover you yourself will be at your very best.

It is not so long ago that firms employed entertainers who were not salesmen at all but whose sole business it was to show an out-of-town buyer a good time. After taking the buyer to a rattling burlesque show and filling him up with liquids that are now *passé*, he would be turned over to a sane and sober salesman who would get him to sign up for anything at any price.

But all this sort of untoward thing has, fortunately, gone out of date. The buyer of to-day is apt to be wary of the salesman who entertains him lavishly, so don't overshoot the mark. The modern buyer is taking only two factors into consideration and these are price and quality. In fact he has got to do so in order to hold down his job.

About the Point of Contact. Dining with the buyer, however, provides one of the easiest and most plausible means for finding the point of contact. As we explained in the preceding chapter the point of contact is simply an in-

teresting point by which the salesman is able to catch the buyer's attention and keep his mind fixed upon it until he has made the sale. Usually a point of contact can be found in the goods you are selling but there are cases where it is only to be gained through an entirely different channel.

We also said in the first chapter that it is not a good scheme to direct attention to something else other than the article you are selling, but there are instances, especially when you meet your buyer under adverse conditions, when a little leeway from this hard and fast stick-to-business principle will, after everything else has failed, get you an order.

Nearly everyone appreciates a good joke and this has from time immemorial been one of the commonest points of contact. There was a time when a drummer who did not carry a full line of jokes in the back of his head was considered a failure. On the other hand the jocular point of contact has been worked to death and to-day it does not find nearly so unanimous a response in the buyer as it did in the days back there. Still it has a place and

may serve you well at times, if you do not impose upon it.

But there are other means of securing a point of contact and, indeed, these are so varied and numerous they are limited only by a salesman's ingenuity. The following illustrates the point at issue. The sales manager of the largest cash register concern in the United States discovered a prospect in a large and prosperous dry-goods firm at the head of which was a shrewd, hard-headed old Scotchman who did his own buying.

Being extremely desirous of placing his machines with this particular firm, the sales manager sent his best salesman to see the prospect with instructions to spare no time or expense in making the sale. The salesman wined and dined the canny old Scotchman who, although he good-naturedly accepted the entertainment, refused to be brought to the buying action. Then one morning a week later the salesman walked into the sales manager's office with a rueful countenance, a *mountaineous*—Kipling's word, not ours—expense account and the sad news that the prospect was impossible.

Having risen to his position as sales manager in virtue of his initiative he—the sales manager—so the story goes, determined to visit Old Ironsides himself. After a few minutes talk with his prospect he found him to be a second Gibraltar. The sales manager could not find a point of contact on which to hang a sale.

The sales manager was about to give it up as a bad job when a happy inspiration struck him. On the wall he saw a large salmon-trout mounted on a plaque. He approached it with all the awe, reverence, and enthusiasm of an old sportsman. For an hour and a half he talked fish, baits, equipment, and lakes with Angus McCollins. He had found the point of contact and the result was that the old gentleman invited him out to lunch and ended by placing a heavy order with him.

Later when telling some of his friends about it the sales manager admitted that he had never caught a fish—that is of the aquatic kind—in his life. But because of his discernment he had been able to find and to establish a point of contact where his salesmen had failed. He had penetrated through the hard-

shelled exterior of the man and sold him. Get the point?

What a Salesman Must Know. Before selling to the buyer there are several things that the salesman must find out and consider them fully if he hopes to have a permanent outlet for his product. Named these are (1) the size of the buyer's present stock, (2) his greatest possible outlet, (3) the terms that he will buy on, and (4) the terms that you can make him.

If it is possible for the salesman to determine these four things before he interviews the buyer it will give him a selling leverage of no mean power. By the size of the buyer's present stock we mean the quantity of like competitive articles he has on hand. Thus if the salesman is selling coal ranges he ought to know the number of coal ranges of other makes the buyer has on hand.

The retailer's maximum output is based on several things, chief of which is (1) the volume of trade he has, (2) the class of people he caters to, (3) the amount of advertising he does, and (4) the market for your line of goods. From this you will see that the retail dealer's output depends on (*a*) the amount of local advertising

he does and (*b*) the amount of national advertising your firm does, for it is these two things that popularize your goods with the public.

The terms on which the dealer will buy also depend on several factors the most important of which is (1) the price quoted to him by your competitors, (2) the class of trade he sells to, and (3) his present financial standing. And, finally, the terms on which you can afford to sell to him depend on (*a*) the cost of production of your goods, (*b*) the quantity that is taken by the retailer, and (*c*) your inside knowledge of his financial rating. How to get this line on him will be described in Part III Chapter X on *Inside Credit Information.*

Now let's see just how these factors affect the retail dealer's business and, consequently the sales you make him. In the matter of output regardless of the size of your retailer's trade there is a definite limit to the quantity of your product that he can sell in a given time.

Naturally a retailer with a large trade will be able to sell a larger quantity of your product than one with a small trade. If his trade is well-to-do or of the middle class the dealer

can handle higher-priced goods than a dealer can with a poor trade. In nearly all communities, however, the retail trade is made up of a mixture of both classes.

On Selling to the Retailer. Having taken all of the foregoing particulars into consideration you will have deduced the following facts about the retailer before you go to see him: (1) The approximate quantity of your product that you can sell him and that he can dispose of with certainty. (2) The terms that you must quote him in order to enable him to buy from you and still make his legitimate profit. This of course is determined from the quotations of your competitors and from the financial standing of the retailer. If money is tight your retailer will have to have time given to him in which to pay your firm and this may run from ten to ninety days. In any event it should be long enough to allow him to buy without involving him in pecuniary difficulties and especially is this true where you are opening a new account and where the retailer's credit is good.

(3) The terms that you can quote him and yet leave a safe working margin for your own

firm. This again depends on trade conditions and on his financial standing. When you have had him looked up by an accredited financial agency and you find he has an A 1 rating you can afford to extend liberal credit to him. On the contrary if he is on the ragged edge of bankruptcy you cannot, of course, afford to sell him on any other than a strictly cash basis.

So when you put up your selling talk to the buyer you will have determined all these things beforehand and settled them satisfactorily in your own mind. Then you will be able to lay before him a straight open and shut talk that will produce the results. Not to know these points is to buck the tiger blindly, and of course in such a game the odds are all against you.

The Art of Making Repeat Sales. To sell to a buyer once is not nearly as hard the first time as it is to repeat the sale and this is particularly true if there has been a hitch of any kind in the first transaction.

And it is self-evident that a salesman who can't sell twice to the same firm is a detriment to your business, for when enough customers

begin to feel dissatisfied the news will spread like wildfire through the medium of competing salesmen and shortly you will find yourself without a single good account.

The art of making repeat sales consists of but one thing and that is absolutely satisfying the buyer every time you sell him. If for any reason he thinks or feels that he has been deceived, you will find it pretty hard to sell to him the next time.

Agreed that it is a fine thing to make every sale a big one yet if you overstock your buyer, and this is often an easy thing to do, you will surely lose his confidence in your judgment, nay, even worse, he may doubt your integrity with the disastrous result that you will lose future sales.

The following fable carries its own moral. A young and exceedingly clever salesman—too clever in fact—went to the buyer of the Pottsville Hardware Company knowing full well that it would be impossible for the firm to sell more than fifty base-burners that season.

But because he was a clever salesman—too darned clever to tell the truth—he succeeded in unloading on the unsuspecting buyer 150

base-burners although even at the time the buyer was a trifle dubious as to their rapid turnover. In other words, he overstocked the buyer for all he was worth.

Six months later the salesman—he was wonderfully clever as we told you—called on the buyer again in his quest for a repeat order but the buyer had begun to realize that he was stuck. Another six months passed and the salesman—who, as we mentioned before, was too clever for utterance—returned only to be greeted with harsh words for the buyer knew that he had not only bought foolishly but he felt that the salesman—who was too clever to live (apologies to Kipling)—had made several kinds of a fool of him. And it follows, as the night the day, that the young salesman—who was not quite as clever as he thought he was—no longer calls on the buyer of the Pottsville Hardware Company.

That is why we say that the best policy is to find out first the largest reasonable output of your retailer and then sell him to that amount and no more. Overstocking him not only causes his embarrassment in the slow turn over of his capital but it takes up his space and

leaves him with shop-worn goods on his hands. It is far better to take smaller orders and make numerous repeat sales.

Another thing that frequently causes the loss of repeat sales is broken promises. The majority of these have to do with the delivery of the goods. Often a salesman of small caliber will perjure his soul to perdition if he can but close a sale. But when the goods fail to show up for ten or fifteen days, or perhaps longer, after the time scheduled, the buyer frequently and quite rightly decides that his orders in the future will go to another salesman and your house will be the loser.

Sometimes a salesman will promise the delivery of goods at a specified time and it will be delayed through no fault of his. When such a delay causes the buyer inconvenience it annoys him just the same but he will accept an explanation because he knows that neither the salesman nor the house he represents controls the transportation facilities. But never let him be able to charge you with anything worse.

On Making Hurry-Hurry Sales. Occasionally a salesman is able to and does make what is called a hurry-hurry sale. This is the way

it is done. He rushes madly into a buyer's office with his watch in his hand, tells him hoarsely he has to catch a train for Chicago in 8¾ minutes, puts his talk up to him in three minutes and gives him two minutes in which to buy.

Once in a while this subway scheme works out but as a rule the sale will turn out unsatisfactorily because buyers are not accustomed to making rapid-fire decisions and when they do they will not hold good on careful afterthought. Hence our advice is don't do it!

Letting Your Advertising Sell the Retailers' Goods. Nearly every manufacturer gets out circulars, booklets and other printed matter for advertising purposes. Where it is feasible to supply a retailer with such literature and when his name is either printed on it, or a blank space is left so that he can stamp his name on it, it is an invaluable aid to him in selling your product, and incidentally, to you in selling to him.

Literature of this character not only helps to localize the fame of your product but if it is done on a large enough scale it tends to nationalize it and this is of the greatest selling advantage.

CHAPTER VI

SELLING TO THE WHOLESALE TRADE

Salesmanship of a High Order—On Selling to the Jobber—Advantages of Selling to the Jobber—Quantity Production—Who Pays for the Cost of Production—The Lost Art of Making a Profit—How Sales are Made to the Jobber—How a Factor Works—The Value of Salesmanship in Selling to the Jobber—What Largeness of Vision Is—Selling Points that Appeal to the Jobber.

THERE is still one other phase of selling goods through the direct or personal efforts of salesmen that we have not touched on, and this is selling to the wholesale trade.

In the idiom of selling talk a jobber is considered as being one and the same as a wholesaler and these names are, therefore, very often used interchangeably for both jobbers and wholesalers buy in large quantities.

There is, however, this nice distinction between them, the wholesaler usually sells to the retailer while the jobber sometimes sells to the wholesaler and sometimes to the retailer. As far as what we have to say in this chapter

is conceived the difference is a mere technical detail and need not be considered.

Salesmanship of a High Order. The salesmanship involved in selling to the jobber is of the highest order and consequently it is more difficult than selling to the retail trade or over the counter to the consumer.

The chief reason for this is that larger sums of money are involved in the transaction. It is true in any business that the larger the quantity of goods that changes hands the larger the sum of money at stake and hence the greater is the vital interest of both the buyer and the seller.

On Selling to the Jobber. There are several things of especial concern in the selling of goods direct by the manufacturer to the wholesaler or jobber. First of all when the manufacturer sells to a jobber he must sell at a low enough price to enable the jobber, or wholesaler, and the retailer to make a legitimate profit and still not have to sell it at such a high price that the consumer will buy some competitive article.

The profits of the manufacturer must necessarily be less on each individual article sold when

he sells to the retailer or to the consumer direct through his selling force or through the mails.

But balanced against this is the fact that the jobber will take many more times the quantity of your product than you could possibly sell to the retailer who since his market is localized can only handle small lots. Selling in large quantities to the jobber is a great aid to a manufacturing business in any one of a number of ways, and among these are: (1) it enables you to go in for quantity production and (2) it relieves you of the expense and responsibility of maintaining a large selling force.

Advantages of Selling to the Jobber. Frequently a manufacturer is able to place his entire output up to the limit of his capacity with a jobber and when this is the fortunate state of affairs it relieves him of all the worry attendant upon the sale of his product. He is then able to devote all of his time, energy, and capital to the operation of his plant, he is able to buy the raw material he needs and manufacture the goods to a much better advantage than when he is bothered with the selling end of it too.

Because he can produce in large quantities, or quantity production as it is called, he can get the cost of production down to rock-bottom and this permits him to do one of two things, namely: (1) to make a larger profit

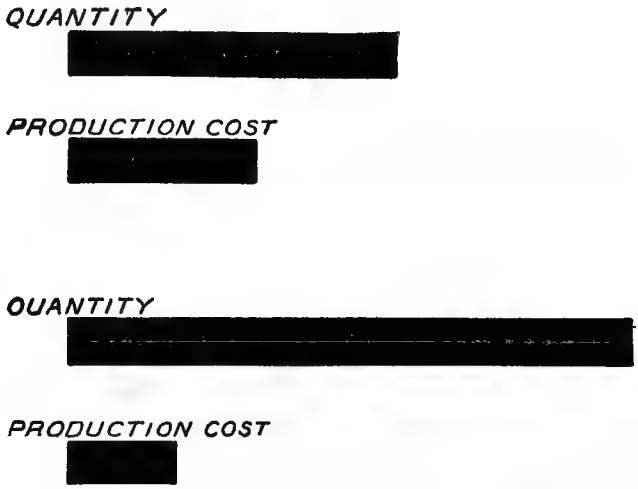


FIG. 11—HOW QUANTITY LOWERS THE PRODUCTION COST OF AN ARTICLE

when selling to the jobber than is made by his competitors, and this without raising the price of the article to the consumer, or (2) to sell a larger quantity in virtue of the price at which he can sell the jobber being lower, and this means that he can underbid his competitors. See Fig. 11.

Obviously these two gains are of the greatest value to the manufacturer, for while they are the logical outcome of quantity production they more than make up for the loss of a larger profit where the article is sold direct to the consumer, since the whole amount sold, and therefore the total profits made, are greater.

When the jobber has bought the product of a manufacturer in part or in whole he either (1) sends his salesmen on the road who sell it to the retailer, to the consumer, or to both, or (2), and what is more often done, he sells the goods to wholesalers who in turn sell to the retailer, who sells them to the consumer.

One of the selling schemes the jobber uses when he takes over the entire output of a manufacturer is to advertise the product and in this way he can secure a nation-wide sale for it. This, of course, helps the manufacturer for it nationalizes his product.

A further advantage the manufacturer has in selling to the jobber is that he can greatly reduce the size and hence the expense of maintaining an efficient selling force such as is needed by the jobber or wholesaler who sells to the retail trade.

Who Pays for the Cost of Production? One of the largest advertising agencies in the United States provides its employees with a series of educational and constructive lectures on merchandising. During one of these talks the question, "Who pays for advertising?" was asked. Simple as the question is, only one man was able to give the right answer, to wit, "The consumer, of course."

This answer is the keynote of all merchandising. The consumer must pay not only for the advertising but for all the costs of production and merchandising from the time the raw material is bought until the finished product is placed in his hands by the salesman. Fig. 12 shows what the consumer pays for when he buys.

It is the exceeding large force of highly trained men that is needed to sell the product from the time it is manufactured until the time the consumer gets it that boosts the price of it high-sky and makes the consumer breathe hard, and want to turn anarchist.

The fact that a manufacturer can eliminate the large and expensive selling force by disposing of his goods to the jobber, and that this

enables him to make the latter a much lower price than he could to individual retailers, does not in the least affect the price the consumer is called upon to pay. Thus it is that no

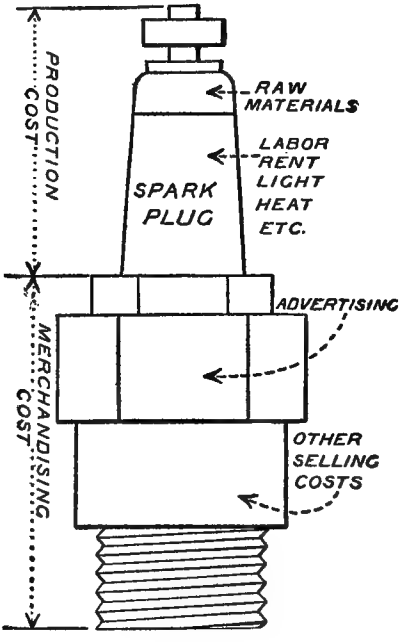


FIG. 12 —WHAT THE CONSUMER PAYS WHEN HE BUYS

matter what scheme or device is used by which a product is marketed there is a balance maintained in the selling expense so that the final price paid by the consumer does not vary greatly.

A still further reason why it is more profitable for a manufacturer to sell to the jobber or wholesaler than for him to sell to the retailer or to the consumer is because the former are specialists in selling. Their selling forces are as efficient as it is possible to make them and indeed they have to be if they are to sell at a profit.

It stands to reason then that they can handle your goods for you so that the final price made to the consumer will be lower than if you handled them yourself because your knowledge is restricted to manufacturing and does not therefore include selling. At least this is true of most manufacturers and there are mighty few men in the world who are universal geniuses.

The Lost Art of Making a Profit. Here is a word-cartoon that you'll appreciate. The firm of Jenkins Bros. and Company manufactured clothes-wringers for a long period of years. It kept no large selling force for it sold direct to big jobbers at low prices and what it lacked in profits on the sale of each wringer it made up in the quantity of wringers which it was able to manufacture and sell.

Working on this policy the firm prospered. A couple of years ago it changed hands and the new owners instituted a different policy. What they proposed to do was to sell direct to the consumer, cut out the profits made by the jobber and retailer, and secure larger profits for themselves.

After a year and a half of this sort of thing they woke up one morning facing a receivership, and not until then did they discover that they had lost the art of making a profit. Investigation proved that their selling force was a growing liability. The policy of the firm was forthwith changed back to selling to the jobber and once again the lost art of making a profit was rediscovered and the firm made money.

Don't think for a moment we mean to say that it is impossible for the manufacturer to sell direct to the consumer and still make a profit, but rather that it takes a lot of genius for a manufacturer to sell through the medium of direct and personal salesmanship because it involves a large and expensive selling force. The growing business of to-day is one that strives toward nationalization. The manu-

facturer-to-consumer through the personal salesmanship plan, *i.e.*, house to house canvassers, no longer lends itself to this scheme.

In the next chapter, on *Making Your Sales Through the Mails*, you will find the means that are now used by which the manufacturer can sell direct to the consumer and still make a profit, providing his product is adapted to the mail order business.

How Sales are Made to the Jobber. Now there are two ways by which a manufacturer usually sells his product to a jobber, and these are (1) by selling to him direct and (2) by selling to him through a commission man or house.

While we say that the manufacturer and the jobber get in touch with each other without the intermediary services of a third party, of course when it comes to the actual selling of the product to the jobber the manufacturer will have on his staff—often a member of the firm—a salesman of a high order who will carry on the negotiations, or the manufacturer himself can do the selling.

As we pointed out before there is a much larger sum of money involved in manufacturer-

to-jobber selling than in any other kind of sales transactions, and the salesman representing the former must be a top-notcher. His arguments must be backed up by statistics and he must have at his tongue's end all the varied data relating to his product.

The main and foremost things, then, that interest the jobber are (1) the quantity of the product that he can reasonably expect to dispose of in (2) a given time and (3) the profit he can make on the turn-over. It is up to the manufacturer's salesman to convince him that the article he is offering is a good and quick seller and that the profit he will realize is a fair one.

The second way open for the manufacturer to dispose of his products is through what is known as a commission man. This is the method most commonly used because it is the easiest. In this scheme the manufacturer and the commission man get together and the latter agrees to find a buyer for the former's product among the jobbing or wholesaling trade. In other words the commission man acts as the salesman and the only difference is he is a freelance, that is, he is not directly

affiliated with the manufacturer and he simply receives a certain percentage, or commission, on the sale when he makes it, instead of drawing a salary.

You will, as a rule, find that the commission man will render you better service than a salesman of your own, for it is his business to handle large transactions like yours and he is a specialist in selling to jobbers and wholesalers. His commissions are generally large but this is offset somewhat because he is able to dispose of your product more profitably than you can.

How a Factor Works. Another kind of commission man is called a *factor*, and the way he works is like this: He agrees to dispose of a certain output of the factory; his next step is to get a jobber who he is confident can sell the product but who lacks sufficient ready capital to enable him to buy the quantity of the product the manufacturer has to sell.

Or it may be the other way about and a jobber, having found a product he feels sure he can sell, will often call in a factor. In either case the factor will advance the jobber enough capital so that he can buy from the manufac-

turer. When the jobber has realized on the sale of the product he returns the factor's loan plus a commission. The latter depends on the risk the factor takes with his money in loaning it.

The Value of Salesmanship in Selling to the Jobber. No matter how the transaction between the manufacturer and the jobber is carried out salesmanship of a high order is needed. Even if the only parties concerned in the sale are the manufacturer and the jobber, the former must be or must have a No. 1 salesman in order to dispose of his goods to an advantage.

That he is selling huge quantities of his goods, and that large sums of money are involved, makes super-salesmanship a greater necessity than in any other kind of selling we have described. But the principles underlying manufacturing salesmanship are just the same as those which we have expounded before, though there is one thing which the manufacturer's salesman must possess in a degree far and above the counter salesman or even the traveling salesman, and this important essential is what is known as *largeness of vision*.

What Largeness of Vision Is. The manufacturer's salesman must be able to *think* big sales if he is to *make* big sales. Moreover since so much more is involved in deals of this kind than in ordinary everyday run of sales a slight error of ten means the loss of thousands of dollars. Hence the salesman's judgment must be next to infallible or he is liable to bankrupt his company and go broke himself—and this has happened too.

Once in a while even when he has a keen perception and full knowledge of market conditions some untoward circumstances may develop. Here is one firm's experience: The Gasco Carburetor Company secured a contract to supply the Addison Motor Car Company with carburetors—this was before we went to war—at rock-bottom prices. When the war broke out, brass, the alloy of which the metal parts of carburetors are made, came into great demand for munitions and as a result the price of brass soared skyward. Unfortunately the Gasco Company's supply of brass, which they had bought long before the outbreak of the war at a low price, ran out before the order was three quarters filled. The firm was forced

to buy the rest of the brass they needed at war prices and as a result the profits on the whole deal were eaten up on the last lap.

Selling Points that Appeal to the Jobber. Just as in selling to the consumer there are certain points which appeal to the jobber and which will sway him over to the buying side when they are presented to him properly.

In the first place you must consider that the jobber is a cold-blooded business man and therefore the elements we call human nature in the consumer are wanting in him and so you can't bank on them in your dealings with him. When the consumer buys he does so with the idea in mind that the article is to supply some need and this is a good substantial groundwork on which to base a selling talk.

With the jobber, however, this need of the product is eliminated in so far as it affects him personally. The sentimental value of the product does not concern him directly either. Summed up there are only three things that the jobber is interested in and to sell him your talk must satisfy him as to these hard and cold facts, namely; (1) that he can make a larger profit on your product; (2) that he can sell a

larger quantity; and (3) that he can sell your product faster than any other.

The first point means that you must sell him your product at a lower price than he can buy any other competitive article for and that your product will command as high a market price. The second point calls for a product of such quality that when sold at the same, or at even a little higher price, to the consumer, it will out-sell any competitive article.

Second, he must be convinced that the quality of your product is the best that his money can buy, otherwise he will not be able to compete with other jobbers who are selling a better article at the same or a lower price. Finally he wants to also be assured of the quantity which he can dispose of in a given time.

There are two sources for this information and these are (1) the market you have created by advertising and (2) the past performance shown by the sales of your product. You must be able to show him that there is as good, or a better, market created for your product as for any other of the same kind and that its sales in the past have been highly successful.

As to the third point this depends upon a combination of circumstances chief of which are a low price to the consumer in relation to other competitive articles, a better quality and a larger advertising appropriation by your manufacturing concern.

By bearing all of these points in mind as well as the points we have enumerated for good salesmanship in the first chapters of this book, you will be able to sell to the jobber or commission man. Also read with particular care what we have said in the chapters on *Expert Buying* for these will serve still further to throw light upon the varied turns of mind that you will find in the retailer and jobber and which you must be prepared to cope with in your selling talk.

Further, the chapters on *Credits* will prove of great value to you in deciding what terms you can best afford to sell your product on, and you should read these chapters on buying and credit with especial reference to the selling end of the game for, as you will presently see, buying is the reciprocal of selling.

CHAPTER VII

MAKING YOUR SALES THROUGH THE MAILS

Advantages of Selling through the Mails—On Securing Mailing Lists—Getting Prospects through Advertising—Getting Agents through the Mails—What Mail Order Correspondence Is—The Art of Sales Correspondence Writing—Kinds of Stationery and Printing—The Use of the Mimeograph—In Regard to Printing Letters—The Psychology of a Selling Letter—How to Put a Selling Punch in Your Letters—The Body of the Letter—About Follow-Up Letters—Enclosures with Letters—Long Letters *versus* Short Letters—Writing Collection Letters.

THERE is still another way of making sales that we have not described and this is by selling through the *mails*.

To recapitulate, you have seen that a manufacturer can sell by means of salesmen to the commission man, the jobber, the wholesaler, and the retailer and make a profit, but that selling direct to the consumer through salesmen is no longer highly profitable.

The mails, however, offer a loophole through which the manufacturer can sell to the general public direct without the intermediary of a selling force and still make a profit.

Advantages of Selling through the Mails. Now there are certain advantages to be gained in selling through the mails, chief of which is that it obviates the necessity of a large and expensive force of salesmen. Yet at the same time it permits the nationalization of an article or a product and this enables the manufacturer to reap the benefit of consumer prices, or if he does not want the benefits that thus accrue he can underbid his competitors who sell by a more expensive method.

Again the mail order method of selling finds great favor with the public, which realizes that its common enemy, the middleman, has been eliminated and therefore believes that by mail order buying it can secure good goods at bedrock prices.

In mail order selling, stamps, stationery, and well-written selling letters can be made to do the work of a dozen high-priced salesmen on the road. Not only this but the mails go everywhere and there is no limit to the territory you can cover by correspondence, whereas the territory that can profitably be covered by traveling salesmen is limited by (1) its population, and (2) its distance

from the nearest source of supply of the product.

We do not claim that correspondence selling is an adequate substitute for the traveling salesman but that in the matter of comparative costs it is an excellent substitute in some territories. For instance, territories that are only sparsely settled can be sold with far less expense through the mails while thickly settled territories can be sold with far more certainty by traveling salesmen.

Moreover the people of the large cities look with disfavor on mail order buying while in the smaller towns and in the country it is largely patronized. Hence the manufacturer or jobber who makes the most sales with the least selling expense is the one who combines a mail order force with his traveling force for in this way he is able to nationalize his product at a minimum expense.

Of course there are articles, like books of the correspondence school kind, that are adaptable to correspondence selling only. Likewise there are other products such as the motor car, that obviously are not adapted to the mail order business at all. One of the reasons for

this limitation is that the mail order articles are sometimes sold upon the *free trial* and *approval plan* and consequently small articles are much better adapted to this branch of selling than the larger ones are.

But in the majority of business lines personal and mail order salesmanship must be combined to the end that the largest sales can be achieved at the least possible expense. So even if you are running a business successfully it may pay you to read this chapter carefully and to install a mail order department, and so benefit by a gain of from ten to fifty per cent. in sales with a consequent pro rata reduction in your merchandising expense.

On Securing Mailing Lists. Your first need in starting a mail order business is a list of possible prospects whom you want to reach, and whom you believe can be interested in your product, or a *mailing list*, as it is called. Lists of this kind that give the names and addresses of people in every community, town, city and state in the Union can be bought.

Further these lists are classified into professions, occupations, and businesses and in this way you can get a list which contains the

names of people who are particularly interested in your product. Thus if you are manufacturing or handling a motor-car accessory you can get a list, or lists, giving the name of every motor-car and garage owner and of every motor-car and accessory supply house in the United States.

It is easy to see that if your main organization is in the East and your farthest western branch is in Chicago it will be to your advantage to sell in the far West and Southwest through the mail instead of sending traveling salesmen to these remote parts of the country.

For instance where you have a high-grade article of general interest and you want a mailing list of prominent wealthy and well-to-do buyers, you can get the names from *Who's Who*. Many thousand practical suggestions for getting mailing lists at the lowest possible cost are contained in a volume called *A Directory of Mailing Lists*, which is published and for sale by the publishers of this book. They will be glad to send a descriptive circular on request.

Getting Prospects through Advertising. Another way of conducting a mail order busi-

ness is to start an advertising campaign in the newspapers, periodicals, or trade journals. The amount of advertising you do will be limited by (1) your finances and (2) by the product you are marketing.

It is the usual procedure to have a printed coupon attached to the advertisement which the prospective buyer has only to clip from the paper, fill out, and send in to you. The replies you receive from these advertisements will give you a list of active prospects to the majority of whom you can reasonably expect to sell.

A list of names obtained in this way is very valuable because you have already secured the attention, interest, and in most cases the desire to own, of the prospects, before you send them your first letter which ought to and usually does induce the buying action. While this kind of a list costs more than the ordinary compiled list you will find it a *live* one and you should by all means use it for your mail order campaign.

Getting Agents through the Mails. In the plan above outlined it is customary to also make a bid for agents and dealers to handle

your product by adding this request to your advertisements.

Still another plan is to advertise for agents whom you offer to start in the mail order business. In this kind of a proposition you will sell direct, to those who reply, a certain quantity of your product for either cash down or on a credit basis—we prefer the former.

Together with the goods you also send circulars, follow-up letters, order blanks, etc. Then all that your agent has to do is to make up a list of prospective buyers in his home town or the surrounding country and mail out the literature with which you have supplied him. This is a very good scheme providing that you supply the agent with a series of follow-up letters that have a real selling punch in them for it enables you to sell in quantities with a comparatively small office force. All of these plans are shown in Fig. 13.

And right here let us add a word of caution against the evils of misrepresentation especially through the mails. Misrepresentation can be made in advertising, over the counter, on the road, in fact anywhere and everywhere and the salesman responsible for it can get

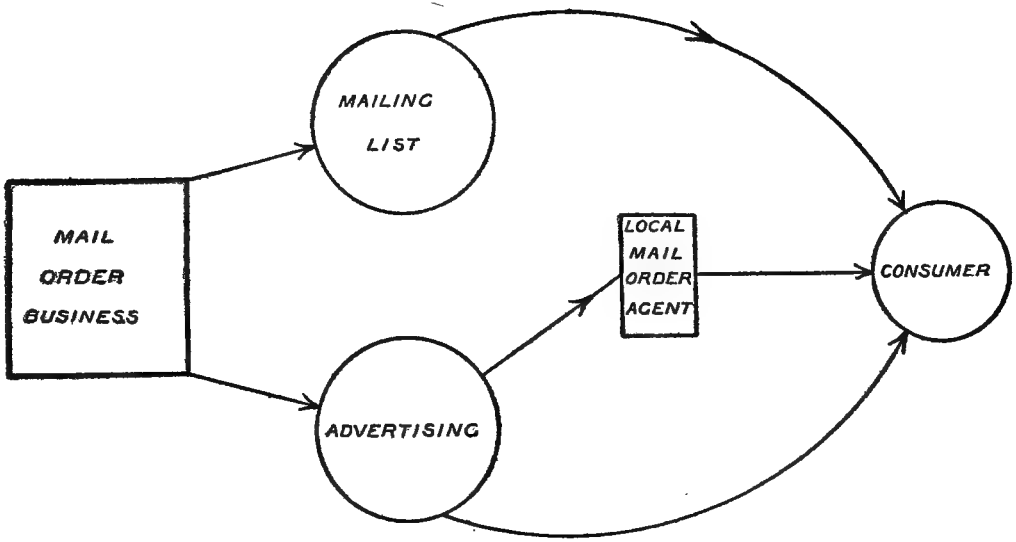


FIG. 13—HOW TO SELL THE CONSUMER THROUGH THE MAILS

away with a whole skin and a slightly damaged reputation.

But to play safe never try to misrepresent anything through the mails for your Uncle Sammy guards against this breach of business ethics very zealously, and he has made violations of it a Federal offense. Having relieved ourselves of this choice bit of advice by way of the prologue now let's go on with the story.

What Mail Order Correspondence Is. Mail order correspondence consists of a series of letters each of which is a selling talk and each of which must be a masterpiece of business literature if any one of them, or all together, are to make a sale for you.

These letters take the place of the personal salesman, greet the prospect in his morning mail, and put up to him a selling talk equal to that of your best salesman if he was there to handle it, and without giving the former a chance to ask a question. The letters must therefore possess all the tact, initiative, mastery, and convincing qualities of a top-notch salesman and they must have in them a point of contact that cannot be ignored.

In other words a successful selling letter

must have incorporated in it the same basic principles of salesmanship that are necessary to a successful selling talk made by a red-blooded salesman. You certainly wouldn't expect a poor salesman to be able to sell your goods to a hard prospect and you can't expect a haphazard selling letter in which none of the laws of selling are complied with to do it.

The Art of Sales Correspondence Writing. You will recall that back there in the chapter on *Selling Over the Counter* we gave you some information about display and we also imparted the advice that, since it is a specialized art, you would do well to employ a display artist to help you make your sales.

What we propose to do in this chapter is to give you the main principles of sales correspondence writing, but our advice is to hire a correspondence writer who can inject into your letters the selling punch. Many men have special aptitude for writing letters of this kind and perhaps you are one of them. If so, after you have read this chapter you will perhaps be competent to write your own sales correspondence.

And let us say right here that simply because

a man is a successful salesman it does not signify that he can write good sales correspondence, as the following episode shows. A large publishing firm was contemplating going into the mail order business. It was the most natural thing in the world for them to pick their best salesman to write their selling literature for them. After the first batch of letters were sent out it was found that the returns were practically *nil*.

Now at that time there happened to be in the new department a young man who was employed in a rather lowly capacity, but with all the confidence of youth he felt that he understood the art of writing letters that would sell books. He wrote and submitted samples and after much argument he was given a try out. His letters were business getters and he turned out so well that he is today the head of the mail order department while the salesman is still on the job in which he has been so singularly successful and that is selling books by word of mouth.

The fact that a man is an adventurer does not at all imply that he can write thrilling tales of adventure, neither does the fact that a

salesman is successful prove that he can write selling literature. Writing is an art and when you want literature the best way to get it and to get the best kind of it is to employ a pen artist who can draw word pictures.

Kinds of Stationery and Printing. In the make-up of a selling letter the stationery used and the method by which it is printed is of the greatest importance. Use a good bond paper and have the printing on it plain and neat and the type small. Avoid complicated designs and fancy type as they make a letter-head look gaudy, are in poor taste, and altogether they distract the mind of the prospective buyer from the significance of the message.

A simple letter head that contains only the essential information needed, and the thought of pleasure, or profit, or both, to be derived by the reader by the possession of the article you offer, sets up in his mind subconsciously a favorable impression that tends to bring him to buying action.

Use envelopes that are designed like and match up with your letter heads. When we say *good bond paper* we do not mean that the paper must be too high grade or costly—

except where you are selling to society women, or to those who think they belong—but at the same time it must not appear flimsy or cheap for stationery of this kind will have the effect of cheapening your selling talk.

The Use of the Mimeograph. Where you want to run off only a few letters at a time a *mimeograph* or some other kind of a duplicating machine can be used and the requisite number of copies can be easily and cheaply made. But where a large number of letters are needed then the printing press may have to be used.

In Regard to Printing Letters. Since you may want to send out anywhere from five thousand to fifty thousand letters at a time, depending on the volume of business you expect to handle you should have them printed.

To do this have your typist write a letter on the machine just as you want it; this done take it to your printer and have him set it up in typewriter type that exactly matches it, and then use an ink that is the same shade as your typewriter ribbon.

Of course you will have blank spaces left at the top for the date, and the name and address

of your prospect and this your typist must fill in with a machine. Also have a space left at the bottom of the letter for your signature.

The Psychology of a Selling Letter. Now the psychology of a selling letter is such that if it is apparent to the reader that the letter he has received is a *stereotyped* form, that is, a mere printed duplicate of an original letter, he may perhaps lose interest to such an extent that he will not even take the trouble to read it through but will throw it into the waste-basket. If, however, the letter appears to be written especially for his benefit, and to all intents and purposes is a direct appeal to him, he may at least read it through.

So in filling in the date, and name of the addressee, the greatest care must be taken to select a ribbon for the typewriter used that will match the color of the printed body closely enough so that it will escape casual detection. A very slight difference in the color of the inks, the style of the type, or the imprint of the latter on the paper will spoil the whole effect of the letter for these things will make the letter lose the personal touch that is so needful to the successful selling letter.

However where an inexpensive article is being sold through the mail you will find that you may get just as good results from your letters by leaving out the name of the prospect and putting in instead *Dear Sir*. With expensive products it has been found desirable to supply the name of the prospect if you are to get the best results.

Finally the signature on each filled-in letter must be written by hand for nothing gives a selling letter more force than the personal signature—supposedly so—of the head of the firm that puts it out. A letter prepared in this way appears to the average man, who is not versed in the art, as if the president of the firm himself had taken the time and the pains to dictate and sign a personal letter to him.

How to Put the Selling Punch in Your Letters. The two most important parts of a selling letter are the opening and the closing paragraphs of it. If these two parts are not handled exactly right no matter how good the rest of the letter may be it will prove a failure. This means that you must exercise the greatest care with these parts.

The opening of the letter must contain the

elements needed to arouse a deep interest in the reader and at the same time it must put you on a friendly footing with him—that is, it must close the point of contact. There is nothing that arouses a deeper interest in the average man than to tell him that you can help him to make money or to save money.

To gain a friendly footing nothing works better than giving the personal *you* and *I* tone to your letter. This is the way the salesman talks and this is the way to make your letter sell your goods. Suppose that you are selling an office appliance that saves time, money, and labor, as for instance a *dictaphone.* The opening paragraph of your selling letter would read like this:

> Let me show you how to save money! I can cut down your office expenses to half what they are now. Every week that you continue to use the old-fashioned tiresome and expensive personal dictation method you are paying for service you do not get.

Here you have touched the tender spot of every man's natural desire for gain and the personal element is brought in by the use of

you and *I* giving the letter a human sound that makes this silent agent supplant the voluble salesman.

In bygone days it was thought good practice to start a letter with such formal phrases as "We wish to call your attention to, etc., etc." Letters were ended with like dry-as-dust phrases such as "Trusting to hear from you favorably, etc., etc." A letter worded in this stiff and formal style today is simply so much paper and ink wasted. Imagine a salesman putting up a selling talk in such trite and stilted terms! He would be a failure, of course, and so will a letter in which they are used.

There is another thing that you must incorporate in the opening of your letter and that is a statement which establishes a successful point of contact between the prospect and yourself. As an example suppose you are selling a patent letter opener in which event you can start your letter off like this.

> After you have spent a couple of laborious and tiresome hours opening your morning mail by hand and you reach a breathing spell, I want to tell you about my quick and easy letter opener.

In this kind of an opening you at once establish a point of contact between the business man and yourself by showing him that you are cognizant of the tiresome routine he goes through with every day and that you are ready to hand him a means by which he can save his valuable time and get rid of the irksome task.

Just as a clever opening is needed to make your prospect read your letter, so must the close of it have the punch that will bring him into buying action. No matter how good the letter is if the close of it is weak the prospect will not buy. It is exactly on a par with a salesman who delivers a good strong selling talk to a man and then walks away without clinching the argument.

Instead what the salesman does is to get out his order blank, put his pen into the prospect's hand, and say, "Sign here." The successful selling letter must, hypothetically, do the same thing. The "trusting to receive your order at an early date" close is a failure because it lacks decision and hence buying action, that is to say, it is not the equivalent of getting out the order blank.

To get your prospect to send in his order by return mail you must say something in your close that pricks him into immediate action. The inertia of the human mind is just as strong as that of any material object when it comes to buying, *i.e.*, parting with money, and it requires selling force to overcome it. Fortunately there are ways to do it and one of the best is to offer a cut price for quick action.

Thus a selling letter for a set of books closes like this:

"You have just three days more to take advantage of our special offer. On October 14th, the same set will cost you $5.00 more. Send for your set *now* and save money."

Or again point out how the prospect is losing money every minute he is without your product and this will urge upon him the necessity for immediate action. Thus,

"Remember our mechano-adder saves you from five to fifty dollars every day. Get yours now and it will pay for itself twice every week."

The Body of the Letter. We have just shown you the importance of a correct opening

and closing form for a selling letter, so in writing a letter of this kind give your best thought to these parts and get them down where you know a man will steal a watch and chain in order to buy and then spend as little time on the body of your letter as you choose.

But when writing the body get right down to facts, tell in simple language and in a straightforward way why he must have your product and the terms upon which he can buy it. It is a noble scheme to have several different plans upon which the article can be bought, for your letters are going to all manner of prospects who are in varying degrees of affluence. Hence terms that are easy for one may be too hard for another. The layout of a successful selling letter is shown in Fig. 14.

About Follow-up Letters. In a few cases your first letter will sell to the prospect, but the majority will fail to buy on the strength of the first letter, due to the same inertia we mentioned a few pages back and it is for the benefit of these inactive prospects that you send out a series of *follow-up* letters.

Even as drops of water finally wear away the granite, so, also, will a series of well-written

follow-up letters overcome this inertia by the cumulative effect of their selling force and

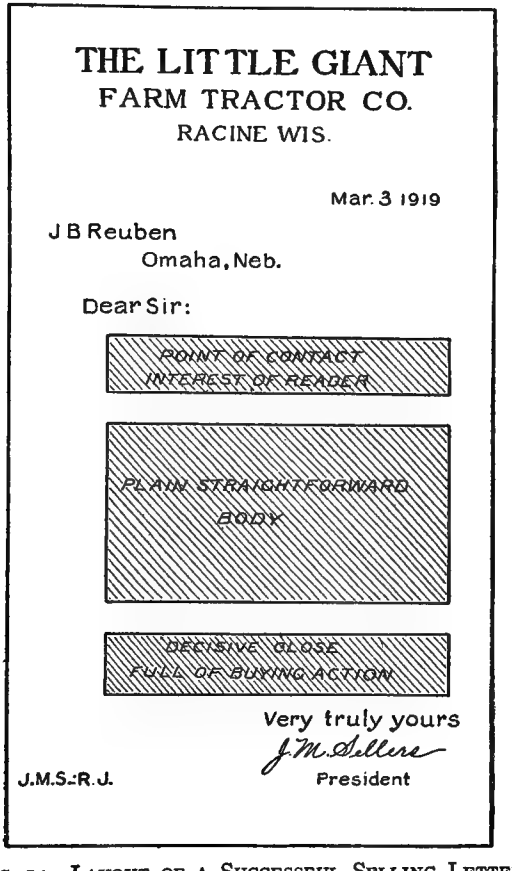


FIG. 14—LAYOUT OF A SUCCESSFUL SELLING LETTER

make the prospect a buyer. Follow-up letters are written on the same principle as the first

letter except that you will in each make the story a little stronger in describing the merits of your product and your offer will become a little easier and more liberal to meet, but withal insistent in demand, in each succeeding letter.

When, after the fourth letter of such a series your prospect fails to reply, you can then take him mildly to task for letting you waste your time and stamps on him and ask him for the courtesy of a reply. If this last attempt fails you can then conclude that it is not inertia on his part but absolute lack of desire for your product that is preventing you from making a sale and your best course then is to remove him from your list of prospects.

Enclosures with Letters. There is much to be said both for and against enclosing other matter with letters but if you do it right then nothing but good can come of it.

The proper enclosure for a letter is a small circular, cleverly worded, designed, and illustrated, that explains the merits of your wares and their uses. Such an enclosure not only heightens the effect of your selling letter but often carries the weight needed to make the

prospect buy where your letter alone would not.

A circular is at its best when it is printed in colors and illustrated, for man is still closely enough related to the savage so that colors please him, and yet he is civilized enough to want to know how everything works. A circular of this kind is a selling talk in itself.

Long Letters versus Short Ones. No business man will take the time to read a long-winded letter, so in writing letters to business men let them be short and full of *pep*. On the other hand people who live in the rural districts will read long letters through, not only once, but several times if your opening paragraph appeals to them.

But as a rule long letters are taboo, for with them just as with personal salesmanship there is such a thing as over-talking your subject, that is, after working the prospect up to the point where you have all but induced the buying action—instead of clinching it the resolve peters out in the reading.

Writing Collection Letters. In mail order selling the article is often sent *on approval*, that is, it is sent to a prospect who is given

the option of returning it if he is not satisfied, or paying for it if he keeps it. Further it is customary to allow him time in which to pay for it, that is, credit is extended to him.

As a consequence of this procedure in making sales through the mails you will very often run up against one of two propositions, and these are (1) the prospect after receiving the product on approval will deliberately fail to return either the cash or the product, and (2) he will make a few payments and then stop.

The first default is theft pure and simple. In handling a case of this kind it is the best procedure to assume that the prospect is still considering the matter of buying it but that he has not yet fully made up his mind. Write your first letter on this basis but if you do not get a reply then write a second letter with the request that the article be paid for or that it be returned at once.

You can, if this does not bring the price or the article, write a third letter stating that unless one or the other is immediately forthcoming you will have to take the matter up with the Federal authorities. If this letter fails to have the desired effect your only re-

course is to lay the matter before the post-office officials, for the man has obtained the article through the fraudulent use of the mails.

The second case must be treated a little differently and you work on the assumption that the customer's intentions are probably honest, but either through carelessness or lack of funds he has failed to keep up his payments. This breach of contract simply resolves itself into a case of *collection* and you will find detailed treatment of this disease in the chapter on *Making Collections* as well as directions for writing collection letters.

CHAPTER VIII

KEEPING A MAP AND TACK GRIP ON YOUR BUSINESS

What the Map and Tack System Is—Map and Tack Appliances You Need—The Map Cabinet—About the Maps You Need—The Thumb Tacks—The Colored String—The Map and Tack Card System—Mapping Out Your Business—Traveling Salesmen *versus* Resident Agents—How to Use the Card System with Maps—Keeping a Map and Tack Grip on Your Business—What the Maps Show You—Cross-Indexing Your Sales—To Determine the Value of Local Advertising.

THE successful business man is one who is able to *visualize* the operations and policies of his business, that is, he is able to project a clear-cut image on the screen of his mind and to mentally view these various activities as though he were looking at a moving picture.

Now in a large number of lines of trade where traveling salesmen are employed the business man finds himself up against the proposition of keeping tab on them, his customers, and on his prospects; and his success depends almost altogether upon the extent and means he employs to overcome these

obstacles by taking rational and speedy action on short notice.

This state of affairs has led the successful sales manager and buyer to develop a scheme for visualizing not only his firm's policies but the *actual selling campaign* as it is being carried on from day to day. This is known as the *map and tack system* and by means of it the efforts and results of any kind of a selling or buying force, no matter how far away they may be from you, are brought immediately under your personal supervision, that is, you *visualize* them.

This system is simply an extension of the card system described in Chapter II, Part I, and while we shall explain its uses in detail in this chapter in its relation to selling, it can also be used just as effectively for a buying force in connection with the tickler file.

When you come to the chapters on buying and especially Chapter II, Part III, you will find out all about the latter device. A combination of the tickler file and the map-and-tack systems will enable you to keep an eye-that-never-sleeps, and a handcuff-grip, on your selling forces and on their sales.

What the Map and Tack System Is. The name "map and tack" is self-explanatory of the system as a whole, but in detail it consists of one or more maps, that show the selling territories, on which are arranged vari-colored tacks and strings to represent the necessary selling data.

By the simple manipulation of these concrete and visible things the activities of a force in fields however distant are brought to a sharp focus and under the direct gaze of the sales manager. In point of value this system is next to placing the sales manager right on the actual selling ground. From this it is easy to see that the map and tack system is highly useful in any business where the majority of the activities are carried on in distant fields and must of necessity be controlled and directed from a central office.

It is a valuable part of the sales manager's scheme and system of organization for keeping a comprehensive grip on the selling force and its sales and it brings home to him the important events of the campaign by placing them directly before his eyes.

Map and Tack Appliances You Need. The

size of the map and tack system you need depends upon three things and these are: (1) the extent you rely on it to keep you informed; (2) the size of the selling force you employ; and (3) the expense you want to incur in the purchase and maintenance of the initial layout.

The best plan to build up a map and tack system is to map out a few of your territories and then expand your system gradually as the volume of business you are doing warrants. Whatever the size of the map and tack system you want to start with you will need the following appliances, namely: (1) a *map cabinet;* (2) the *maps;* (3) some *tacks;* and (4) balls of *varicolored string.*

The Map Cabinet. This cabinet is simply a case of shallow trays large enough to hold the maps so that they are handy for quick reference. Practically any kind of a case will do if the drawers are long and wide enough to hold the maps and are not too deep.

The proper kind of a cabinet has a number of drawers each of which is about one inch deep and, let's say, three feet on the sides to contain the maps of the various territories your salesmen are covering. You can have a

carpenter or cabinet maker make a cabinet for this purpose, or better you can buy one ready to use. There is only one map put in a drawer so that when you want to use it you have only to open the drawer.

The number of drawers in the cabinet depends entirely on the two following things, (1) the volume of business you are doing and (2) the scale of the maps you are using. The first point at issue, of course, depends to a considerable extent upon the kind of territory your salesmen cover, while the second point will be more fully explained presently.

Since the drawers are of the above mentioned size you can fit into each one a map of a territory, or part of it, depending on its size and, in passing, this must be large enough so that you can read it. Thus if you are operating in twelve territories you will need twelve drawers in the cabinet.

It is a good plan to have your cabinets built in sections, each of which contains twelve drawers, after the style of the sectional bookcase. In this way you can easily take care of the extra maps required as your business grows. The bottoms of the drawers are made

of soft pine about ¼ inch thick so that the tacks can be pushed into the wood easily.

About the Maps You Need. The maps should be good and large and plainly printed in colors showing the principal railroad lines, highways, and roads and having the cities, towns, and villages accurately placed upon them.[1]

Each map must be a full and complete one of a given territory or if you are operating in a small section of a territory intensively you must get a special *large scale map* of that particular part of the territory.

Now by the *scale of a map* we mean the size it is drawn to compared with the real size of the territory it represents. For the sake of convenience maps are drawn to various scales depending on what they are used for. In the lower left-hand corner of every map you will find a graduated line with numbers marked on it that shows what scale the map is drawn to, thus: 1 inch = 5 miles, which means that one inch on the map represents five miles of actual territory.

[1] These maps can be bought of C. S. Hammond & Co., 30 Church St., New York.

For the map and tack system scales of from five to twenty-five miles to the inch are good ones to use, the larger scale being used, of course, on maps where the territory is thickly settled and the centers of business interest and activities lie closely together. As the chief value of the map and tack system lies in your being able to comprehend the situation at a glance, the larger the scale the maps are drawn to the easier it will be to do this.

The Thumb Tacks. Tacks are used to represent the different centers of interest to the sales manager and chief among these are his salesman and agents, customers, and prospect. Since all of these cannot be represented by tacks having heads of the same color the following color code will be of service to you for it will enable you to distinguish one from another at a glance.

Green Tack - - -	Exclusive Agent
Red Tack - - - -	Traveling Salesman
Black Tack - - -	Customer
White or Plain Tack -	Prospect

Thumb tacks having heads of these various colors can be bought of stationers or dealers in

drawing materials; they have large flat, enameled heads with short, sharp-pointed steel shanks. All you need to do to put them into the board of the drawer is to press on them with your thumb.

The Colored String. You will only need three colors of string and these are green, red, and black. The green string is used to enclose the area held by an exclusive agent if it is larger than a city; in case it only covers a city of course a green tack is sufficient.

The red string marks out and indicates the territories taken by your traveling salesmen while the black string is used to show where the men are from day to day, just how much of the territory they have covered and just how much they have yet to cover.

The Map and Tack Card System. From what we have said above and the description of how to use the maps which follows shortly you will see that by means of this system you can, like an East Indian mahatma, project your mental self through space in the twinkling of an eye and camp on the actual ground your salesmen are covering.

In this way you can gain a wealth of infor-

mation and the only thing that is lacking is a scheme for recording the data thus obtained from your maps day by day, for as you alter the tacks and strings in accordance with the movements of your traveling salesmen the information they gave you yesterday and the day before is likely to be forgotten to-morrow and the day after.

To make the map and tack system a complete success a *card index system* is necessary and this consists of four separate and distinct sets of index cards, namely: (1) an index card having at its top the name of the city or town and having at its bottom the name of the salesman or agent handling that city or town; (2) an index card having at its top the name of the salesman or agent and having at the bottom the name of the city or town; (3) a *blue index card* having at the top the name of the customer and at the bottom the customer's purchases and needs together with the salesman or agent who sold him; and (4) a *yellow index card* having at the top the name of the prospect and bearing the same information. These cards are shown in Fig. 15.

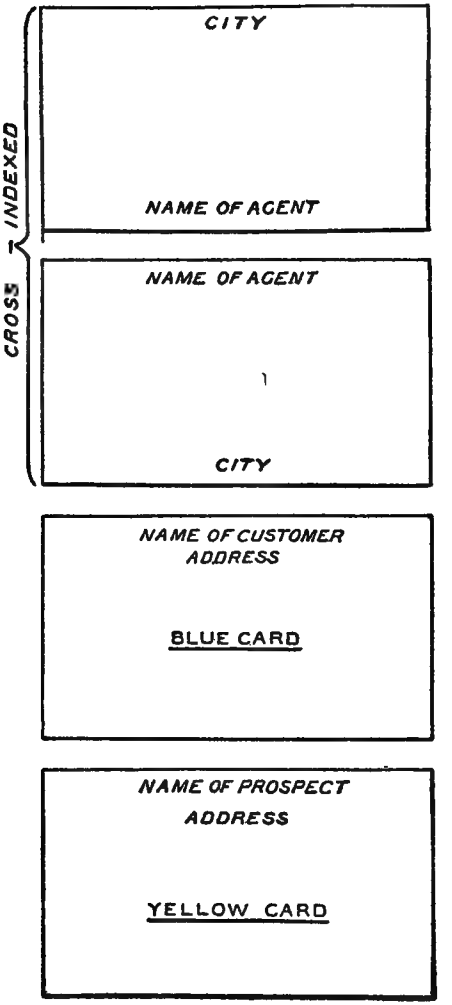


FIG. 15—MAP AND TACK CARDS

These last two cards are filed alphabetically by name under the different territories they fall in. The first two sets of cards while apparently the same are simply to enable you to cross-index towns and salesmen. By means of this method of filing you can instantly find out just who the agent is in a given town or just what towns a given agent is selling.

The card index system used in conjunction with your maps gives you a permanent record of what has been, is being, and is yet to be done that can be had and kept in no other way and, as you see now as well as later on, it is an admirable method and an invaluable aid for getting the right angle on your selling force.

Mapping out Your Business. Knowing now how the map and tack system works, the next thing to do is to apply it to your selling force. To begin with there are two things that you can easily do with it right at the start, both of which will save you time and trouble.

These are (1) laying out routes and mapping territories, and (2) following your salesmen day by day and watching them do their work. Now let's see just how the map and tack system works out in a specific case. Suppose

that you are handling sales for an automatic feeding device for poultry and that you are sending Brown out to cover northern New Jersey, and sell direct to the retail trade.

Take your map of northern New Jersey, lay it out on the bottom of one of the shallow drawers and with four ordinary thumb tacks secure it at the corners. Next take your red thumb tacks and red string and start anywhere on the perimeter, that is the outside boundary, of Brown's territory, insert a tack in each of the cities and towns on it until you return to the first tack, when you will have a tack outline of Brown's territory.

Then take your red string, tie the end to one of the tacks in the outline, carry it on, and give it a turn around each succeeding tack until you return to the tack you started from and tie it there. The area you have thus enclosed is Brown's territory. In the same way you can easily map out territory and allot it to your salesmen without any danger of its overlapping, that is, of assigning a portion of the same territory to two or more salesmen at one and the same time.

Having laid out the territory the next thing

is to outline to Brown the route he shall follow in covering it. This is done by starting on the perimeter, at a city or town nearest your home office, and inserting tacks in the cities and towns which in your judgment will prove profitable and to which you want Brown to sell.

In doing this you must use all due care in mapping out the cities and towns in sequence so that the route is as short and easy as possible and, what is even more important, that Brown will not at any time have to double back on his tracks and thus cover the same ground twice.

Now take your black string and tie the end to the tack in the last city or town on his route and go on to each preceding city or town that he will hit and give it a turn about each tack; continue in this manner until you reach the first city or town that Brown is to sell to and there tie the string to the tack in this city or town. The black string will then be wholly within the red stringed enclosure and will represent Brown's route.

Having given Brown his final instructions and sent him on his itinerant way rejoicing, you are then ready to follow him in his travels and tribulations. When you get Brown's first

report card you will know he has reached his town and you will then untie the black string from the tack in the first city or town and wrap the free end of it around the tack in the next city or town which Brown is scheduled to reach sometime in the near future. Keep on in this fashion as Brown progresses on his route and you will then be able to tell exactly where Brown is by simply glancing at the map. See Fig. 16.

Traveling Salesmen versus Resident Agents. You will find very often that in certain towns and territories you can get a jobber, wholesaler, or retailer to handle your line and do as much or more business for you at less expense than if you sent traveling salesmen into the same territory. Where such a condition obtains of course it is to your advantage to turn your line over to a resident agent as he is called and give him the exclusive right to sell in that city, town, or territory.

Where a resident agent sells to a city or town you simply push a green tack through the part of the map that represents it. But if he commands a territory put a number of green tacks around its perimeter and connect them

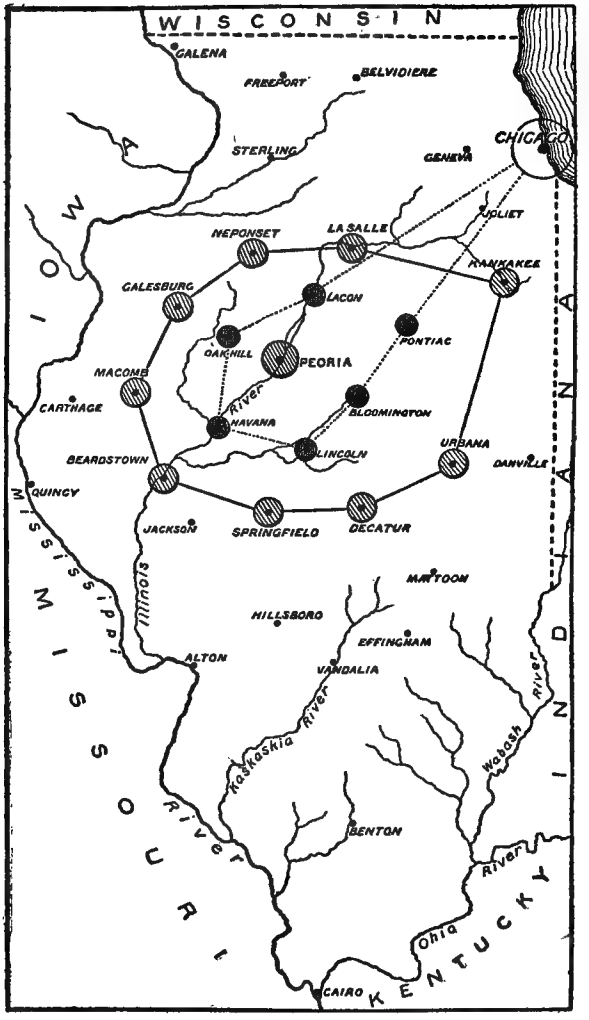


FIG. 16—MAP AND TACK SYSTEM APPLIED TO YOUR BUSINESS

with a green string, thus plainly marking out his agency. Also put a green tack in the city or town where the resident agent has his headquarters.

When mapping out territories for your traveling salesmen and for new resident agents who are going to handle your goods, you must take particular care not to encroach on the territory you have already allotted exclusively to some of your other selling force, for nothing makes a fellow so angry as to find someone poaching on his little preserve.

How to Use the Card System with the Maps. To get the full benefit of your maps you want to make use of the information they afford by taking advantage of your index cards at the same time. To do this file the cards containing the data away for future reference; the first two cards mentioned under the heading of the *Map and Tack Card System* can, of course, be filled out before your salesmen start on the road.

As the daily reports from your salesmen begin to come in you manipulate your maps accordingly, putting black tacks in the cities and towns where your salesmen have taken

orders and white tacks in the cities and towns where lively prospects are located. From this material you now fill in your blue and yellow cards which we mentioned before and file them alphabetically.

All of the mechanical work entailed in map manipulation and filing operations you can have done by low salaried employees and hence at small expense.

On the other hand a well operated map and tack system needs constant watching and every change must be made upon it the moment fresh information is received, for unless the cards are kept right up-to-the-minute it will not give you the service you need. As soon as prospects are sold and become customers the white tacks must be replaced by black ones, the yellow cards, removed, and new blue ones made out.

Keeping a Map and Tack Grip on Your Business. Now let's go a little deeper into the way a map and tack system is of use to you in keeping a firm grip on your selling force. There are three chief things that you can discover from your maps at a glance and these are: (1) undeveloped fields; (2) the results of

your salesmen; and (3) the results of your advertising.

Your maps will show you where there are territories which your salesmen have not yet covered and you will know in an instant where to direct an inquiry so that you can get a line on whether an undeveloped field is worthy of exploitation. In connection with this use of the maps it is an excellent plan, if your business warrants it, to use the following device which will serve to show not only undeveloped fields but the strength of competition in the fields you are already operating on.

A separate series of maps can be laid out showing the territories in which your competitors are operating and in which they are the strongest. Such a series of maps will be of great assistance to you in mapping out the territory for your own traveling salesmen. For this purpose you will find a large wall map better than a number of smaller maps.

From your maps and cards you can obtain the results of any individual salesman on the force and you will be able to tell at a glance the sum total of the selling power of the individual salesman. Thus a large collection of

black tacks in a territory means that the salesman is a *live wire.* Many white tacks and a few black ones indicate that a large number of prospects have been called upon though but few have been sold. If after a reasonable length of time the percentage of black tacks does not increase and multiply it is your cue to find out where the trouble is.

As a further aid to you in this line it is profitable also to cross-index your sales and prospect cards as to territory. You will then be able to gain the same information from your files, except, of course, that it will be more detailed and complete and, hence, of increased value to you.

From these sources of information and the financial, weather, and salesman's reports, you can arrive at a fairly definite conclusion as to whether the trouble is with your salesmen or whether the territory is dead, and ought to be buried.

The Value of Local Advertising. And finally the value of local advertising can be determined in the same fashion by the sale you are making. If you are advertising to an equal extent, that is commensurate with the popula-

tion, in all the sections you do business in, and you find that you are getting far better results in some territories than in others, find out first whether your selling force is at fault.

If it is doing its best then it is a pretty good sign that the field is inherently sterile and that you are throwing good money after bad in advertising heavily therein. When you once get into the habit of using this system you will be surprised how much routine it will lift from your shoulders and the extent to which you are able to feel the pulse of your business beating by means of it.

You will also find as you grow skilled in its manipulation and in interpreting the meaning of its varied phases that it is the only original cure-all for doctoring up all kinds of sick and declining sales.

Part II

Expert Buying

CHAPTER I

THE ESSENTIALS OF SHREWD BUYING

Tangible and Intangible Merchandise—Shrewd Buying Lowers the Cost of Production—The Applied Principles of Shrewd Buying—Training a Good Buyer must Have—What a Good Buyer must Know—What the Buyer must Know about his Goods—What the Buyer must Know about Demand—What the Buyer must Know about the Houses he Buys from—Two Kinds of Buying.

HAVING read now about the various phases of *selling* you are ready to learn something of the second great branch of merchandising and that is *buying*.

Now buying is the reciprocal of selling, for it is obvious whenever goods are bought or sold there is a mutual interchange between these two actions and, hence, these prime parts of merchandising are so closely allied that if you are proficient in one you must be efficient in the other. See Fig. 17.

Tangible and Intangible Merchandise. Every business, no matter what its nature, is based on the buying and selling of (1) tan-

gible effects, or *merchandise*, as goods, wares, or commodities are called, and (2) intangible effects, or *service*, as labor and professional assistance are known.

There is no such thing as a business where selling alone or buying alone is the sole and only operation. Manufacturers must buy raw materials and jobbers and retailers must buy finished products before they can sell, and having once bought they must in turn sell to keep on doing business.

From this, you can see that buying is just as important a part of merchandising as selling and this is due in a large measure to the highly competitive market that we are up against to-day.

As a shining mark lets take a firm that manufactures spark-plugs. There are approximately one hundred spark-plug manufacturers in this country, and strange as it may seem the plugs turned out by all of these companies are as like as a hundred peas laid in a row in their design, construction, and operative merits.

This being true not one of these hundred firms can lay claim to any distinct or real

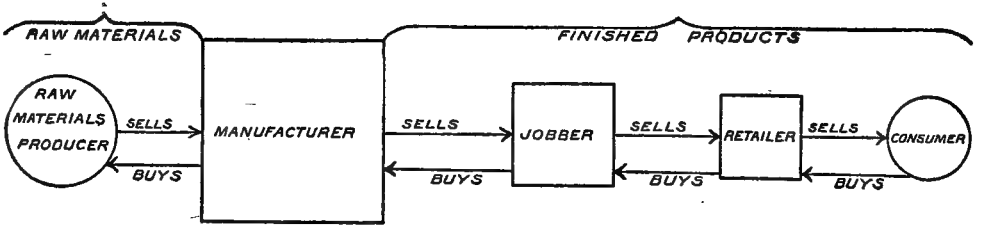


FIG. 17—BUYING IS THE RECIPROCAL OF SELLING

advantage over the others. To sell an article where there is such strenuous rivalry requires ability of a high order and the plug that is advertised the most widely, made of the best materials, and sold at the lowest price will naturally sell the easiest.

Shrewd Buying Lowers the Cost of Production. There are several things that make up the cost of production and these are (1) the quantity manufactured; (2) the cost of labor; (3) the cost of overhead; (4) the cost of selling; and (5) the cost of raw materials.

In not only the spark-plug business but many others as well the first four factors can be and are brought to practically one and the same standard by each and every company. The one outstanding factor, though, which is always more or less variable is the cost of raw materials; this is where qualitative buying comes in, and this can make or break a manufacturer's chances of competing in a close market as the case may be.

A manufacturer who can buy his raw materials at a lower cost than his competitor can make a plug of equal merit at a lower selling price and, consequently, he can come pretty

nearly owning the market. So upon the skill of the buyer largely depends the ability of the manufacturer to get his share of the trade in a highly competitive market.

Now while we have used the manufacturing business here as a type for the sake of exemplification and discussion, what we have said applies equally well to the jobbing, wholesaling, and retailing lines of trade and so we can add that shrewd buying is the thing that enables all lines of trade to keep afloat in the sea of big business to-day.

The Applied Principles of Shrewd Buying. The greatest degree of profit making in a business is attained only by a carefully balanced business machine where the two great levers of merchandising, buying and selling, operate at their maximum efficiency.

It makes not a bit of difference how good your selling force is, if your buying force is not up to the same high standard it acts just as though you had dropped a monkey wrench into the gears of your business machinery and will cause your ultimate downfall.

There are two great factors in buying cheaply and these are: (1) having the ready

money and (2) buying in large quantities. The larger the quantity of materials purchased the cheaper it can be bought and, where time must be had, the better the terms the buyer can make for its payment. Often the financial resources of a firm limit the quantity of goods that it can buy and, further, future market values and conditions limit the quantity of material that should be bought.

For instance, a clever buyer makes an opportunity for his firm to buy an extra large quantity of a certain staple commodity at an exceedingly low figure. The very fact that the commodity is a staple assures it of a steady and continuous sale. But lets assume that this particular commodity we are talking about is a slow seller and that it would take a couple of years for the firm to dispose of the entire lot.

Again lets say that the finances of this firm are limited and it is necessary that for every investment it makes there must be a quick turn-over in order to keep things going. Under such untoward conditions the buyer would be unwise to buy even though getting the commodity at a great reduction, for the turn-over

would be so slow it would be sure to cause his firm financial embarrassment.

Now let us take another example: A buyer is offered an exceptionally low price on a large quantity of novelty goods. Novelties as you may or may not know are freaks and hence their steady as well as their continuous sale is uncertain. Again it would be poor policy to buy a large stock of such goods for (1) there is no telling how rapid the turn-over will be, and (2) the market may go to pieces all of a sudden when of course a heavy loss will be sustained by the firm. This is exactly what happened to the manufacturers and dealers in pyrographic, *i.e.*, wood-burning, outfits a few years ago.

In both the preceding cases, though, the buyer will be severely tempted for on the face of things they are apparently good investments and since he must buy, it seems like folly to buy in smaller quantities, pay larger prices, and get poorer terms. But this is just where the shrewd buyer excels for he not only knows a good investment from a bad one, but he is able to buy in small quantities advantageously.

Shrewd buying, then, may be said to consist of two things (1) the ability to recognize and distinguish good investments from bad ones, and (2) the ability to drive the best possible bargain whatever the quantity of materials his firm needs. As you will gather later on, for a buyer to possess these two essentials he must have an intimate and infinite knowledge about everything that has to do with his business.

The Training a Good Buyer must Have. For a man to become a shrewd buyer, provided he has all the other requisite qualifications, there is only one school that will turn him out at the head of his class and that is the school of experience.

The first thing that the buyer must learn is salesmanship from A to Z in all its varied ramifications, for it is his business to constantly deal with salesman and he must know all the ins and outs of their ways and their strong and weak spots if he is to beat them at their own game.

Second, the buyer must be trained in manufacturing and merchandising methods; he must have an accurate knowledge of raw materials, their production, manufacture, mar-

kets and the conditions that affect the latter, in fact he must know the production end of the business he is buying for from the ground floor up.

Third, he must be a trained executive and know and understand thoroughly the policies of the firm he is buying for, to the end that he may conform to them. Not to know these things makes coöperation impossible and disaster a foregone conclusion.

And fourth, and finally, he must peer into the future and his pre-vision must not fail him. No successful buyer can afford to confine the limits of his mind's eye to the present, for big business has as its goal the future. Buyers who buy for the present alone fail sooner or later because three quarters of buying judgment is futuristic. Hence the training of a buyer must be such that he has a clear foresight of the future activities in his field.

What a Good Buyer must Know. We have just given you a general idea of a few of the things a buyer must know in order to buy well and we shall now tell you of some of the definite and specific things that he must know to buy shrewdly. As we mentioned above, or

what was equivalent to it, a buyer must be absolutely familiar with (1) his own house, and (2) the goods he is buying; and now let's see just how these things influence his judgment and therefore his buying. Figure 18 shows diagrammatically what a good buyer must know

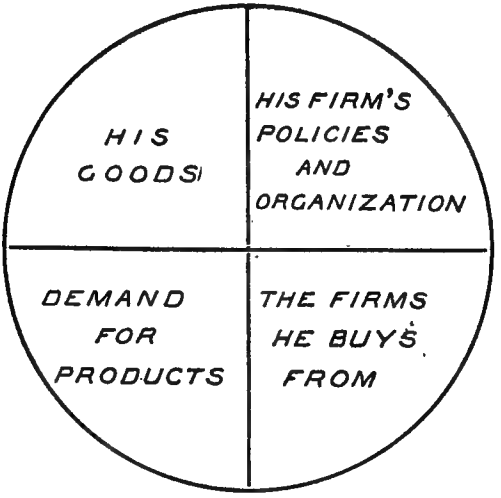


FIG. 18.—WHAT A GOOD BUYER MUST KNOW

Why a Buyer must Know his House. There are four chief things that a buyer must know about his firm or house and these are: (1) the condition of its finances; (2) its policy; (3) the manufacturing processes of its products; and, finally (4) its organization scheme.

The condition of its finances can be split up into two parts and these are: (1) the actual working capital it has on hand including its available credit and (2) the financial forecast for the future. He must know these points for two reasons, namely, (*a*) that he may determine which are the most advantageous terms to buy on; thus, if heavy demands are to be made on the firm's resources he must do *pinch buying*. And (*b*) the firm's resources determine the quantity of goods that he can safely buy; weakened resources or resources that are likely to be weakened in the near future dictate pinch buying.

The policy of the firm or house is equally important. The owners and directors will have mapped out a policy which entails either expansion or curtailment. In either case it is of vital consequence for the buyer to know exactly what it is.

If the policy is one of expansion, heavy buying is permissible providing all other conditions are favorable. But if the policy is one of curtailment the buyer must of necessity do pinch buying. For the buyer not to conform to the policy of his firm or house is to court

disaster, a fluke may cause a lot of inconvenience. The moral is, that a buyer must not make mistakes.

In many concerns the buyer is called upon to buy everything pertaining to the house needs, from raw materials and machinery to laboratory equipment and office appliances. Finally he must know all about the organization of the firm or house. It is his business not only to buy in quantities but to act as a check on the department whose heads must make occasional small purchases and to see that they do not overbuy or underbuy.

What a Buyer must Know about his Goods. The major portion of a buyer's knowledge relates of course to his goods. It covers a very broad field for it is not limited to the technical details of the goods themselves as is that of a salesman.

The buyer's learning includes (1) a clear insight into the law of supply and demand; (2) full information concerning houses that sell the kind of supplies he buys and of their selling methods.

The three chief things that a buyer must keep in mind about the goods he buys are:

(1) their quality and price; (2) their intrinsic values; and (3) the market for them. The matter of quality and price is essential to fair buying. There are often several, sometimes many, grades of every kind of raw material and marketable product ranging down from good, through indifferent, to bad and worse, but for every quality there is a fair and legitimate price it is worth—no more and no less.

This has to do to a large extent with values but not altogether so. The buyer must not only compare the product he is buying with other competitive products on the market, but with an ideal product or material, that is to say, one which is 100 per cent. perfect.

As an illustration take the cotton or tobacco crop. At certain times of the year there is a drop in the quality of the whole crop due to weather conditions and especially is this true in some localities. Clearly for a buyer to buy even the best grade of this inferior crop and pay anywhere near the full market price without reference to the perfect product is for him to cheat himself and his firm.

A complete acquaintance with market conditions is naturally an essential in buying.

With every kind of raw material there are certain fluctuating conditions which affect the market as far as quantity is concerned, and hence the price, and this causes the market of finished products which are made from them to fluctuate also.

Thus crops are affected by untoward weather and insect pests; ores and lumber by labor troubles; and the transportation of all of these materials by both weather and labor conditions. For these reasons, at one time it is a good investment to buy, but at another time it is better to hold off or do pinch buying.

The element of time is a most important factor in buying and it is the buyer's clear perception and keen judgment of the past and present conditions and their effect upon conditions in the future, provided he is right, that makes a man a shrewd buyer.

What the Buyer must Know about Demand. The buyer must have a thorough knowledge of the demand for the raw materials needed by his firm or company and for the finished product sold by it to the trade.

Every manufacturing plant maintains a certain standard under which it is scheduled

to operate when running at its full capacity. The buyer must know what the schedule is so that he can buy the right quantities of raw materials at a time and also what to provide for future needs.

If the buyer fails to buy the necessary quantity of materials to keep the factory running up to its schedule a change will have to be made in the production output and this is an expensive deal.

The buyer for jobbers, wholesalers, and retailers must also have a good grip on supply and demand for the reasons mentioned above. As we have indicated, goods may be divided into two classes and these are (1) *staples* and (2) *novelties*. A staple is an article of necessity for which there is a constant and certain demand. A novelty on the other hand is an article that catches the fancy for the time being.

Fancy is always fickle and there is no sure way to definitely estimate what the demand for a novelty will be or to determine even roughly how long it will hold the interest of the public. Once in a while a novelty grows in favor until it becomes a staple but this

seldom happens if the article is not one of utility.

The buyer must guess the depth of popular favor in a novelty and gauge the quantity he buys accordingly. The closer his guesses come to hitting the mark the better buyer he is. Buying the raw materials for or the finished product of novelties is therefore a harder game than buying staples. But even the demand for staples is subject to change although the change is never a sudden one as with novelties and the market can be accurately forecasted by the experienced buyer.

What the Buyer must Know about the Houses he Buys from. In the early part of this chapter we stated that the buyer must be an experienced salesman. This is because he must have an intimate knowledge of how selling and salesmanship are carried on in the different firms he deals with.

There are five important things that the buyer must know about the firms he deals with and these are: (1) their locations relative to his own plant or house; (2) their reputations; (3) their resources; (4) their operating *bases* (plural of basis); and finally (5) their selling policies.

The location of a house is important because of the shipping problem which affects the expediency of delivery. Shipping is one of the bugbears of the buyer. It stands to reason that in almost all cases the firm to buy from is the one nearest the point of delivery, all other circumstances being equal.

Some factories and houses have very poor shipping facilities and these are good places to steer clear of when you are in urgent need of the goods you buy. It is sometimes a better scheme to pay a little more and be assured that your order will reach you in time, rather than pay a little less and lose out on a sale or a contract because you can't get hold of the materials to deliver or fill it.

Another point is that the proximity of a firm does not always indicate certainty of speed, or surety of delivery. As before these essentials depend upon the facilities of the firm you have bought from and the transportation arrangements it has made.

The reputation of a house is also of great weight and by knowing all about it the buyer can tell whether it will keep its promises. Many salesmen will promise anything to

make a sale but the likelihood of fulfillment can be pretty accurately checked by a record of past performances.

The buyer must also be conversant with the resources of the firm he is dealing with. Take a buyer for a big jobbing house which has advance contracts to supply several wholesalers with a certain product in a given time. If the buyer puts his order with a manufacturer whose finances are shaky and who fails to fill all of the order, the jobber of course can't get his goods in time for delivery as per schedule and this will cause the wholesaler to cancel his orders and to lose the good will of his customers. If the buyer had known that the manufacturer was operating on the ragged edge of nothing he would not have fallen into such an error, and to the end that you may be saved a like experience read the chapter on *Credit.*

To know what the operative basis of a house is, is of deep concern to the buyer. Of course in these days of modern business methods and up-to-date systems most firms know down to the fraction of a penny the exact cost of production and therefore the price they can sell for.

You will though, at times, run up against firms that are extremely lax and to which the exact cost of production is an unknown quantity. In such cases you may find it possible to buy for less than the actual production cost and more often for less than competitive products are selling for.

And, lastly, a buyer must know the selling policies of the houses he deals with. The price-lists issued by these houses are usually far from being true guides of selling prices for the buyer; very often, indeed, the prices quoted are in excess of the intended selling prices.

The reason such price-lists are put out is so that (1) they will give no information to competitors and (2) when an apparently large discount is given, the average buyer feels that he has been favored.

A knowledge of firms and houses that resort to such tricks of the trade enables the buyer to know when he is buying at bed rock and when the prices quoted him are or are not excessive. There are firms, however, that make their first quotation their last one and to know these houses is to save time and argument.

Two Kinds of Buying. In general there are only two kinds of buying and these are: (1) the buying of raw materials and (2) the buying of finished products. Under the head of raw materials comes manufacturing buying; while under the latter head comes jobber, wholesale and retail buying.

Now all that we have said in this chapter applies to both of these kinds of buying. The ideal buyer for either the manufacturing or the finished products trade is one who has had experience in both branches for he then knows the exact processes and materials a product is made of and at the same time he has a thorough understanding of the selling end of the business, or the other way about.

When you find a buyer who has had this kind of a wide experience and who possesses the other qualities cited in this chapter, hold on to him.

CHAPTER II

BUILDING UP A BUYING MACHINE

The Organization of a Buying Machine—The Assembly of the Buying Machine—Some Branches of the Buying Machine—The Tracing Department—The Receiving Department—The Distributing Department—The Accounting Department—About System in Buying—Information through the Perpetual Inventory—System Used in the Placing and Tracing Department—How the Order is Kept Track of—What a Tickler File Is—How the Shipment is Checked up.

JUST as an organized selling force is of paramount importance to your business so also is an organized buying force a vital necessity to back it up. The reason you must have an efficient buying force is that your market is a competitive one and to make a profit you must *buy cheap.*

No matter how great the merits are of the article you are going to sell, if you can't buy the materials and turn it out as cheaply as an opposition manufacturer, or buy the ready-made article at as low a price as a competing jobber, you can't make up your losses on your sales.

From this it is plain that you must use as much, if not more, judgment in organizing a buying machine that will attain a close approximation of perfection, as you do in the organization of a one hundred per cent. efficient selling force. As we said in the last chapter buying is the first half of your business and it must be reckoned with if you are to conduct the other half successfully.

Incompetent and unwise buying has been the cause of more failures of otherwise successful merchandising concerns than anything else, if we except bad credits, and the only way to steer clear of this pitfall is for you to organize a buying machine that you know will not make mistakes.

The Organization of a Buying Machine. Now as with a selling force there are two important parts to a buying machine and these are: (1) the organization itself and (2) the system that must be used in conjunction with the machine.

Back there in the first part of this book we cited that the advantages of organization lay largely in the definite fixing of duties and responsibilities, and this is likewise true of

the buying-machine organization. The first consideration is a head who is responsible for the operation of the machine as a whole and this man is usually known as the *head buyer*.

The head buyer of a buying machine corresponds to the sales manager of a selling force and his is the master mind that directs the efforts of the buying machine and makes it what it must be. Without him the efforts of the buyers would be inarticulate and disjointed and nothing would be accomplished right.

Just as the sales manager must be a master salesman so the head buyer must be an expert buyer and only a long and varied experience will produce such a man. Although your machine may employ buyers of comparatively small or narrow experience your head buyer must be all knowing to direct them.

In establishing a buying machine pick a head buyer whom you have confidence in and then let him use his genius for the choice of the rest of the force. As with a selling force there is only one method of organization that will prove highly profitable although there

are many variations of this method in use, some of which will be better adapted to your line of business than others.

Your head buyer is primarily an executive and he will therefore have ideas of his own as to the manner of the organization he is going to direct. This is fitting and proper and to get the results that both you and he want, you must do everything in your power to help him in carrying out these ideas as long as they meet with, and conform to, the policies of your firm.

The Assembly of the Buying Machine. In the organization of a safe and sane buying machine the first essential is the department that buys or places orders; and this, of course, consists of the buying staff under the direction and supervision of the head buyer.

In a large concern the buying staff consists of two kinds of buyers and these are: (1) domestic buyers and (2) foreign buyers. The domestic buyers are of course always on the alert for buying opportunities throughout our United States. Since the latter is but a very small part of the world's great markets of raw

materials and finished products, especially the former, a progressive firm must have foreign buyers.

Cotton, for instance, grows not only in the sunny south, but in Egypt and India as well. For a large manufacturing firm of cotton products to buy without first consulting foreign qualities and prices would indeed be poor policy. Foreign buyers must, however, have been domestic buyers first for they must have a thorough knowledge of the offerings of the domestic market if they are to buy shrewdly in foreign lands.

As a rule buyers are usually promoted to the desirable position only after years of buying service in this country. In choosing buyers from applicants you do well to pursue the same tactics as those we described in Part I, Chapter II, and the form shown there may also be of service to you.

Some other Buying Departments. The Tracing Department. After the organization of the buying staff comes the installation of a *tracing department.* The purpose of the tracing department is, as its name indicates, to trace orders that have been placed by the

buyers from the moment that the goods are bought until they arrive.

Keeping absolute track of orders must be done because, as we have explained before, the firm must know the exact date of arrival of a consignment for the course the goods take through shipping channels is devious and extremely uncertain.

The Receiving Department. When the goods are received they must pass into the hands of a *receiving department.* The purpose of this department is to check up the goods received and see that they tally with the original order and with the invoice. Now this department and the two to follow are not really a part of the buying machine, for when the buyer has placed his order and the goods have been delivered, his work and the work of his department is done.

But as these other departments, which are needful adjuncts of every well organized business, are more nearly a part of the buying machine than any other branch, we will describe them under this heading. When the goods reach the factory or store there are three things that must be looked after and these

are (1) that they are received properly; (2) that they are distributed right and put to the proper use; and (3) that payment for them is made when it falls due.

The Distributing Department. When the goods have passed through the receiving department they are taken over by the distributing department, and, as its name shows, this department has charge of the distribution of goods to the various manufacturing or selling departments where they are needed.

The Accounting Department. And finally the accounting department must take over the bill for the consignment and attend to the payment for it. If the goods are not paid for promptly it puts the buyer in wrong and he will have a harder row to hoe in making such good terms the next time he buys.

Failure to pay promptly also weakens the firm's credit and makes close buying just that much harder. We cannot give you a detailed description here of the organization of each of these departments but we will give you somewhat of an idea of how they work from the system which is used by them.

About System in Buying. There must be

system in business to reduce the friction and keep the working parts of the machinery running smoothly. In buying it is just as important to have a system upon which the buying organization operates as it is in selling.

This system consists of a series of filing cards each of which contains certain constituent information of value to the department in its buying operations. Without such a system it is impossible for the head buyer to know just when, and in what amounts, materials and products are needed, where they can be bought, and what their market prices are.

What a Good Buying System Consists of. The first requirement of a good buying system is a method by which it can be determied just *when* the buyer must buy and *what* he must buy.

The most satisfactory way of doing this is by means of what is known as the *perpetual inventory*. In large firms where the sales of a day may clear out a complete line of stock, such as department stores, the perpetual inventory is taken daily and turned over to the head buyer as a source of buying informa-

tion. The smaller the business the less often need the perpetual inventory be taken.

Information through the Perpetual Inventory. The chief points of information that must be contained in a perpetual inventory are as follows: (1) the name and grade, or quality of the goods or material; (2) its stock number; (3) the normal maximum and minimum quantities kept in stock; (4) the dates when goods or materials were ordered, received, and disbursed, and in what quantities; (5) a balance of the data shown in No. 4; (6) the firm the goods or materials were purchased of and their last quotation or price on the same. A form of this kind is shown in Fig. 19 and it enables the buyer to keep a constant grip on the needs of his firm.

The next requisite for the buyer is a file which shows the following things about the goods or materials he must buy, viz.: (1) the name, grade, and stock number of the goods; (2) firms by whom the goods are sold; (3) quotations or prices; and (4) where the last order was placed and price it was bought at.

All of this information will be contained on

NAME AND GRADE OF ARTICLE _____ STOCK Nº _____

MINIMUM _____ NORMAL _____ MAXIMUM _____

DATE	ORDERED		RECEIVED		DISBURSED		STOCK ON HAND
	ORDER Nº	QUANTITY	ORDER Nº	QUANTITY	ORDER Nº	QUANTITY	

FIG. 19—A SOURCE OF BUYING INFORMATION—THE PERPETUAL INVENTORY

two cards as shown in Figs. 20 and 21. The object of splitting up the information and duplicating it in this way, or *cross referencing* as it is called, is so that (1) knowing what article is needed the buyer can immediately find from his files the names of its suppliers, and (2) by knowing the names of its suppliers he can get all of the information *re* its price and the terms it can be bought on.

A further advantage of Form 2 is that catalogues, price lists, and circulars from firms of their offerings can be filed in pockets containing numbers and can be quickly found. Finally Form 3 should have on its reverse side information as to previous orders placed with firms for (*a*) the goods; (*b*) prices; (*c*) quantities ordered; and (*d*) satisfactory shipment; and this is shown in Fig. 21.

System Used in the Tracing and Placing Department. So that constant track can be kept of the goods from the moment they are ordered until they are received by the receiving clerk the following system is used:

The buyer orders by means of a blank which is made out in *triplicate*, that is on three separate sheets of paper. When these three

blanks have been filled in, the buyer sends the original to the firm that is going to fill the order, he files one of the carbon copies for his own use, and the other he will forward to the receiving clerk.

The purpose of sending this copy to the receiving clerk is so that the latter can make room and be prepared to receive the goods when they arrive. This process constitutes the first step in buying, that is, in placing the order. This done, the next thing on the list is tracing the order.

How the Order is Kept Track of. When the buyer has sent the original slip out he figures that it will take a couple of days for it to reach the firm, a day for the firm to ascertain whether they can fill it, and a couple of days more for him to get a reply, or five days altogether, the time, of course, depending on the distance to be covered.

What a Tickler File is. Now the buyer has what is known as a *tickler file*, and this consists of filing envelopes large enough to hold correspondence written on business letter-heads, and to which tab fasteners are attached which have the dates of the month printed on them.

CROSS-INDEX

NAME AND GRADE OF ARTICLE STOCK Nº

SUPPLIERS

NAME	ADDRESS	PHONE Nº

Form 1

NAME OF FIRM PHONE Nº

ADDRESS

NATURE OF BUSINESS

DATE	CATALOGUE OF LISTS	FILE Nº

Form 2

FIG. 20—CARD INFORMATION FOR BUYERS

NAME AND GRADE OF ARTICLE STOCK Nº

DATE	Nº	SUPPLIER	QUANTITY	REC'D	PRICE	REMARKS

Form 3

FIG. 21—BUYING INFORMATION CARD

All duplicates of orders and correspondence are filed in these envelopes, which have in the upper corner a firm's name, and these are arranged alphabetically according to the names of the firms they are placed with. These envelopes are filed in a filing cabinet which contain drawers large enough to accommodate them and the file is *kept alive*, which means that as soon as an order has been satisfactorily filled the correspondence is removed and filed elsewhere.

The buyer consults this tickler file every day in order to see just where his buying activities stand. When the buyer places an order he puts his letter and the duplicate order blank in a filing envelope and sticks a tab on the envelope which bears a date five days in advance of the present date.

Then he has it filed in the tickler file. The filing clerk runs through this file every morning, takes out the envelopes with the tabs on them bearing the date of that particular day, and hands them to the buyer. In this way an order placed five days before is brought automatically to the buyer's notice on the day

an acknowledgment is due if he has not already received a previous reply.

If he has received a reply before the case is brought to his notice he will then, of course, be able to handle the order faster. When he receives his first reply, which will probably also give him the date the shipment can be expected, he again sets his correspondence envelope forward in the file to that date and notifies the receiving clerk to be ready to receive the goods on that date, by means of the order in triplicate.

When the date finally arrives on which the goods are due, the buyer is again automatically confronted by the fact.

If the shipment fails to show up he gets the wires busy to find out why. When finally the goods are delivered he makes a memorandum on the back of the duplicate order that they were delayed, for future reference, and adds any other data of a like nature which may aid him in placing his next order.

How the Shipment is Checked up. When the receiving clerk receives the goods he carefully checks them up, writes his tally on his

triplicate order, and signs and then returns it to the buyer for his O. K.

The buyer compares this tally with the invoice sent with the order to see that the shipment is correct in all respects. Also if any goods were damaged either before, or through, shipping, the receiving clerk notes this on the triplicate and the buyer is able to present a claim to the responsible party.

Next the goods are turned over to the stock department for proper distribution throughout the factory or store and the buyer turns over the receiving clerk's O. K.'d copy of the order to the accounting department for payment.

It will be found that this system is not only invaluable to the buying organization of your business but that it fits well into any department where considerable correspondence is used, and you will find the tickler file especially useful in your sales, credit extension, and collection departments.

CHAPTER III

WHERE TO BUY

Coöperative and Chain Methods

What Coöperative Buying Is—Coöperation for the Buyer—The Bush Terminal Sales Building—What Chain Buying is.

In the past ten years a radical change has taken place in the business world. The scheme of brutal and destructive competition which was the former basis of business has given way to enlightened and constructive coöperation and it is because of this newer and better policy that business has forged ahead by leaps and bounds in so short a time.

To be highly successful you must know about this movement and must strive to keep up with it. Now whereas competition between merchants was formerly thought to be a serious handicap to the individual it has been found to be a business builder of no mean power. In the chapter on credit information which follows you will see some of the more

specific advantages that accrue from coöperation between merchants.

Generally, coöperation between merchants will do two things, depending on the use to which it is put, and these are: (1) to lower the cost of merchandising and, hence, the price of the article to the consumer, or (2) to force sales control which, therefore, increases the price to the consumer.

As a rule it will be found in coöperative merchandising that both of these increments are used as a wedge to force larger profits. The first point has to do with increased merchandising efficiency while the second is concerned more particularly with economic conditions. Further while the first has to do with the buying operations of the merchant, the second has to do only with his selling operations. It is, however, the first point that we are chiefly concerned with here.

What Coöperative Buying is. As an example of coöperative buying here is a simple little word-picture from life which not only illustrates the principles involved but also the advantages that accrue from it.

A bright young salesman who wanted to

increase his capital hit upon the following live scheme. He organized a company the purpose of which was to distribute groceries to retailers on a profit-sharing or coöperative basis. The par value of the stock in his company was $40.00 a share.

Next he found a wholesale grocery concern that agreed to sell him at a lower rate because by so doing it was able to eliminate in so far as his customers were concerned a large selling force and hence to lower the selling cost of the groceries. This done he went to a large number of retail grocers to whom he put up the following proposition. They were to place their orders for groceries through him and this they were quite willing to do for it enabled them to buy cheaper.

He also proposed that they buy stock in his company at $60.00 a share and in this way they became members of the concern from which they bought. In other words they would be buying from themselves and would consequently split the profits which the company made between themselves.

The extra $20 a share above par which the stock brought was for the maintenance of

the coöperative concern while it was getting on its feet. Obviously the more members such a concern had, namely, the more stockholders, the greater the advantages each individual grocer received. The result of it was that he had no difficulty in disposing of the entire issue of stock and he prospered and so did the retail grocers.

It was not long, however, before other wholesale grocers began to *knock* the game to the retailers and, naturally, a few of them wrote in and complained. To these foolish ones the young man promptly returned their money together with a letter showing them how the concern was saving them money. Finding he was willing to return their money, almost without exception they sent it to him again.

His scheme was a success because it was formed on the right coöperative basis. The reason it had not been done before was simply because of the inertia that had to be overcome in order to get it under way.

Briefly the coöperative plan enabled the members of the organization to do the following things: (1) to *buy cheaper* than merchants who were not members of the organization;

(2) to *share in the profits* of the concern selling the groceries to them; and (3) to *sell at a lower price* to the consumer if they were so minded and thus increase the volume of their business.

Coöperation for the Buyer. We have already given you the principles of expert buying and shown you how to organize a good buying force. In fact we have told you everything except where to buy. Now there are two chief ways in which the merchant buys his goods and these are: (1) from manufacturers' and jobbers' salesmen who go to see him, and (2) through his buyers whom he sends to the big cities.

Manufacturing and jobbing salesmen are always traveling throughout the country and call on you in the course of their journeys, or letters sent out to manufacturers or jobbers stating your needs will bring a raft of salesmen and samples. Buying done in this fashion is very easy but it is by no means the best way, for you are limited in your selection of stock to the materials brought to you.

The progressive retailer operates a little differently for he sends his buyers to the big cities where are located the biggest manu-

facturers and jobbers in all lines. Once there, the buyer looks around the city until he feels that he has seen everything that is worth while in his line and then he make his selection.

In this way the buyer is able to buy to a much better advantage than he can from traveling salesmen, for it is easy to make a comparative selection that is limited only in its scope by the time, money, and energy he has at his disposal.

But there are drawbacks even to this method of buying and chief among them are: (1) the manufacturers are not centralized and hence much time and energy is wasted by the buyer in gaining a superficial knowledge of what the market affords, and (2) because of this lack of centralization the exact comparative values of the articles the buyer looks at are likely to be lost and this again is a hinderance to good buying.

Obviously what is needed and must be had in order to buy expertly is some kind of a highly centralized, nay, concentrated, mart in which the comparative samples are displayed so that the latter will be under the buyer's

eyes all at once and without his having to chase from one end of the town to the other. See Fig. 22.

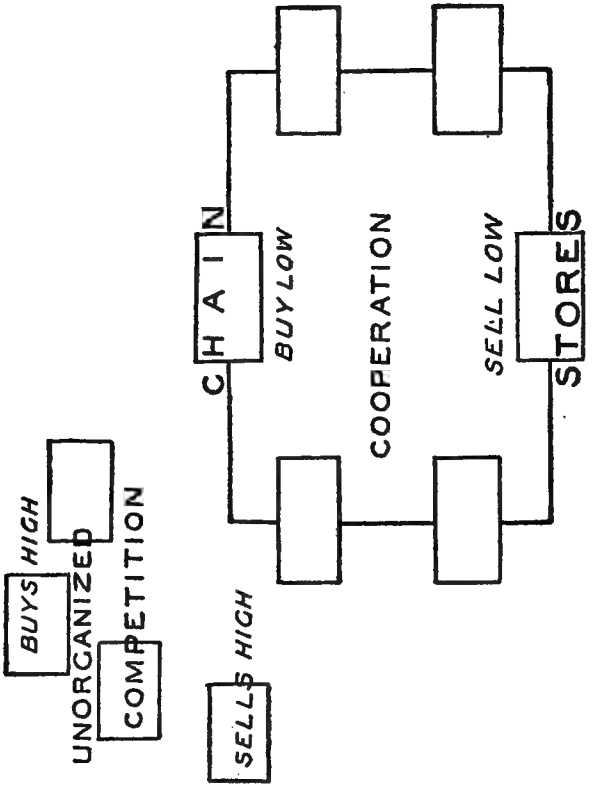


FIG. 22—WHY CHAIN STORES ARE SUCCESSFUL

The Bush Terminal Sales Building. This great edifice, which is twenty-eight stories high, is a veritable merchandising paradise

for the manufacturer, jobber, wholesaler, retailer, and last, but greatest of all, the buyer. It is located in the central part of New York City.

On the first two floors are located the *International Buyers Club*, grill room, and library. All buyers automatically become members of this club and there are no dues or fees. Its object is to provide a luxurious and restful place for the buyer to transact his business and do his work in.

The library is one of the most unique in the world and the most complete of its kind. You will find in it every trade paper, merchandising books, offerings, price lists, a foundation library of fashions, and the developments of dress both for men and women from the last tick of the watch back to the fourth century A.D.—an invaluable aid to the designer and buyer of apparel and a statistic service that will give him ideas of advertising, financing, buying, and selling that are worth their weight in platinum.

There is also in the library a card-file which gives a complete and up-to-minute description of all the lines of goods displayed in the

building. This service gives the buyer an airplane view of the market in tabloid doses that he cannot get in any other way. Through these sources of information the buyer can buy easier and better than by any other plan.

Above the Club are twenty-four floors of display booths and rooms containing the largest assortment of varied merchandise offerings ever gathered under one roof.

These booths and rooms are rented by manufacturers, jobbers, and wholesalers to display their wares in. These rooms are outfitted in the latest approved methods with display cases and furnishes high-grade salesmen to take charge of them.

This plan is not only a boon to the manufacturer or jobbers, as the coöperative plan lowers sales costs to a minimum, but to the buyer as well, for it places a half dozen competitive articles under his gaze at one time with the result that his comparative selection is bound to be the best. In fact the whole secret of this kind of organization can be summed up in two words, namely *coöperative service.*

What Chain Buying is. There is still another device used by the successful merchant

which cuts down his merchandising costs and enables him to sell more cheaply. This is the chain-store plan. As the name indicates it consists of a chain, or series, of stores all under one ownership, which may be individual, partnership, or corporation.

In this plan there is the additional advantage in that there is no competition of any kind between the stores. It is an old saying that "competition is the life of business." Not so, for the chain stores have proved to be highly successful and this is a case where co-operation only exists. First-rate examples of chain stores are the Liggett Drug Stores, United Cigar Stores, and the Butler Grocery Stores.

The following advantages are obtained where chain stores are run, namely: (1) they permit of quantity buying and hence cheap buying; (2) the returns on large quantities of merchandise so purchased are almost instantaneous because of the large capacity of the chain of stores for distribution to the consumer. In other words the turn-over of capital is quick and hence the business is always kept a live issue.

Possibly by considering these modern plans of merchandising, which enable the operations of buying and selling to be conducted so much more profitably, you will see how you can apply them to your business.

Part III

Commercial Confidence

CHAPTER I

CREDIT AND YOUR BUSINESS

Confidence in Days of Yore—In the Stone Age—The Barbaric Norsemen—The Hudson Bay Company—What Credit Is—Various Kinds of Credit—About Personal Credit—What Retailer Credit Is—On Manufacturer Credit—Bank Account Crediting—Why a Credit Organization is Needed—What the Credit Department Does.

IN the natural course of events you will find that the keystone of all business transactions is *confidence*, and without this dominating factor business cannot be conducted, for at some stage or other it becomes necessary for one party to trust the other.

Confidence in Days of Yore. In days of yore when might was right and the stone-age man held sway he clubbed his neighbor half to death and relieved him of whatever it was he wanted, hence, quite naturally, confidence was an unknown quantity.

A few thousands of years later when the barbaric Norsemen gathered to barter, the bargain was sealed by the ceremony of drink-

ing from what we are now pleased to call a *loving cup*. But so great was the lack of confidence even in these days that the cup was provided with three handles to one of which the drinker held. Before he drank however he

FIG. 23—THE LOVING CUP AS AN AID TO BIG BUSINESS

insisted that his supposed friend and business associate grasp the other two handles of the cup to the end that the latter might not stick him between the third and fourth ribs and take his due from him. The idea is represented in Fig. 23.

Certainly under such untoward conditions

the art of doing business could not be expected to thrive overmuch. But as the centuries rolled on the confidence of men in one another grew stronger and ever stronger, especially in matters pertaining to business, chiefly because laws were laid down to prevent and punishments meted out to those who were guilty of business treachery.

Even in the early history of the North American continent a large amount of confidence had manifested itself between the pale face and the poor Indian and, strangely enough, it was rarely abused. In the frozen North the Hudson Bay Company which traded in furs depended on the red men for their catches. At certain advantageous points the company located its factories, as the trading posts were called.

At these posts any Indian who had not been proved to be a thief would be *staked* to an outfit of a hundred dollars' worth of provisions; that is he would get it on tick, jawbone, or *credit* as it is called to-day, so that he might penetrate into the wilds and trap for the company. At the end of six months the *honest Injun* would return with his catch and liqui-

date his debt. This confidence between the pale face and the red man is pictured in Fig. 24.

The *factory* was in charge of a *factor*—hence its name—and it was he who judged the In-

FIG. 24—CONFIDENCE BETWEEN WHITE MAN AND SAVAGE

dian's honesty and just how much credit he could *safely* let him have. By extending this credit to the savage he enabled the latter to carry on his *business*, which was that of trapping, the only consideration being that he sell his catch of furs to the factory or company.

Thus the factor of the Hudson Bay's trading post was the original counterpart of the factor

who advances credit in modern business transactions so that the debtor can carry on his business, and, of course, the former exacts a commission in return for this service.

What Credit Is. From this little historical sketch you will gather that *credit* is simply *business confidence*. There are certain things, though, that the advancing of credit does which you should know about in order to have a clear conception of the nature of this kind of a trust.

The first and most obvious thing that credit does is to lessen the value of money. As an illustration of this point let's take a community in which credit is taboo. To be able to buy in such a community you must have the ready cash. This, of course, means that there must be more actual currency, that is money, in circulation in this community than in one where credit is liberally extended.

It follows, then, that the greater the need is for actual cash the greater value it has, that is to say, the greater is its purchasing power. In communities where credit is liberally extended the need for cash is less and consequently the power of money is less. From these

facts an extremely simple and self-evident axiom can be formulated, viz., to *make your money buy the most, buy with cash.*

And since it is a poor rule that doesn't work both ways, here is a corollary that has been recognized and heeded by merchants all over the world ever since business was invented, viz., *to make your goods bring the highest prices sell on credit.* Man's greatest weakness in buying is credit, for buying goods on trust blinds him to the defects and real values of them and it is one of the greatest selling arguments ever used.

On the other hand it must be cleverly handled by the merchant or it will prove to be a Little Old Man of the Sea and finally strangle him to death. The purpose of this chapter is to give you an insight into the nature and operation of credit that will enable you to employ it successfully on both the buying and selling ends of your business.

Except when properly handled credit is a detriment, instead of a boon, not only to the debtor but to the creditor as well, as you will presently see. In spite of the dangers that attend it there are reasons for its use

which make it at times a legitimate necessity.

Why Credit Is Necessary. There are several reasons why the propagation of credit is a good thing and these are (1) it enables the consumer to buy the necessities of life during such time as he is waiting for his pay envelope. At some stage or other the consumer through needful but unexpected expense may get behind in his ability to pay.

More often though it is through his extravagance or mismanagement that this happens. The credit extended to him by his local merchants enables him to live and catch up where otherwise he would have to starve and so incite him to steal, or to start a revolution. Credit is not only a good thing for the consumer therefore but it helps to balance things and keep the poorer population from social unrest.

It also works for the good of the merchant for should he refuse credit to a customer when he needs it, he will not only lose his customer's trade during the period in which he is hard-pressed but what is worse, he will lose it for all time. A customer who is once refused credit when he actually needs it will naturally

trade elsewhere when his finances pick up again.

(2) In virtue of the fact that he must extend credit to the consumer the merchant is often placed in a position where his outstanding debts force him to seek credit himself so that he can carry on.

Again, and this is good for him, credit enables him to buy advantageously because he can lay in a stock of merchandise before the season opens for its sale. In this case he does not need to make the large outlay of money that he would have to if he waited to buy until the season opens and he actually starts to realize on the sale of his stock.

Since he is selling in a highly competitive market he must sell for smaller profits; for this reason he must work on a closer margin and turn his capital over oftener if he is to keep his head above water, and credit permits him to do this.

(3) By using credit he can carry on his business even though he does not have the ready capital at the time and this without endangering his independence; and this is true not only of the merchant but of the wholesaler, jobber,

and manufacturer as well. Without credit there would come a time when these organizations would be financially crippled if indeed they could exist at all.

(4) The final advantage of credit is that it is a more convenient means of payment where large sums of money are involved, in many cases, than the actual currency itself would be.

Especially is this true where long distances are concerned. Further since it is a means of payment it can be used to supplant or take the place of currency to a certain extent. Just how this pleasing operation is effected you will presently see. But to understand this you must know something of the various kinds of credit that are utilized in the business world.

Various Kinds of Credit. Now there are many different ways and means by which credit is extended but all of them can be resolved down to a couple of basic classes and these are (1) *short time credit* and (2) *long time credit.*

Short time credit, as its name implies, ranges from the ordinary *sight draft*, or *demand note* which is to be paid upon sight, or demand, to the longer thirty-day *promissory note*, that is,

a note which states that you merely promise to pay thirty days hence.

Another means by which credit is gained is by making payment with a *city draft* drawn on a neighboring city bank and to which the draft must be sent in order to have it cashed. Thus if Brown gives Jones a draft on Boston, both being in New York, by the time the latter deposits it in his bank, it is sent to Boston for collection, payment is made there and returned to Jones's bank in New York, six days have elapsed, Sunday being a holiday makes seven, and then the law allows three days' grace, making in all ten days' credit for Brown, who doesn't even have to ask Jones for it.

Long-time credit runs anywhere from thirty days on up to infinity. Credit of this kind is, however, seldom extended over a longer period than six months for the three following good reasons, namely, (1) if the debtor is still unable to pay after such a long time the chances are he will never be able to do so, and you must bear in mind that the longer time you grant credit for, the greater the risk you are taking with your money. (2) The longer the time that elapses, the harder it is for the credi-

tor to determine future events, that is what is likely to happen. (3) And, finally, it is necessary for the creditor to turn his capital over just as often as it is for the debtor in order to keep afloat. To extend credit over a period longer than six months is generally unwise unless there is ample security to back it up.

The two above classes of credit can be further divided into four distinct kinds and these are (a) personal credit, (b) retailer's credit, (c) manufacturer's credit, and (d) book account credit.

About Personal Credit. Under this heading falls every kind of credit that is given the individual on his *personal security*. The greatest of all personal credit businesses is the extension of credit to the consumer by the merchant.

There are numerous and divers means by which this is done and they range anywhere from the unwritten and usually unspoken, *i. e.*, tacit, agreement that the housewife makes with the butcher, the baker and candlestick maker to the more formal and hard and fast agreement with the installment house.

As we have pointed out before, credit is a

mighty good thing, *per se*, for both the consumer and the merchant when it is handled judiciously. Unfortunately its advantages are too often offset by the abuse of both the merchant and the consumer. Since man's greatest weakness is buying on credit, the consumer, if permitted, will very often run himself into unredeemable debt.

We say *unredeemable debt* because of the fact that all too frequently the merchant allows the consumer to buy far beyond his credit value either because (a) he is carried away on the tide of the big business he thinks he is doing or (b) he is fearful that if he does not keep on extending credit he will offend the customer and lose his trade and the chance of collecting what is already due him, in which case he is between the devil and the deep blue sea.

But sooner or later the tide reverses its direction, low ebb takes place and a day of reckoning is at hand for both. The consumer is unable to liquidate his debts and such payment as he does make usually leaves him stranded. The merchant's business then begins to feel the effects of his poor credit policy for his books show nothing but a balance of

bad debts. He in turn finds it hard if not indeed impossible to get the credit he needs to tide him over.

In this way a center of financial depression is formed in the wheel of the business and as it grows larger it works nearer and nearer the rim until it overbalances it. To counteract this untoward result the merchant must needs *boost* his prices and in the finality of things mundane it is the consumer upon whom the full burden of this folly falls.

What Retailer Credit Is. In this chapter we have been using the term merchant to mean the *retailer* and we have now come to the granting of credit to the retailer, or merchant, by the manufacturer, jobber, or wholesaler.

The retailer, as we have previously pointed out, can seldom afford to buy very far in advance of the time when he can sell to the consumer unless some special inducement is made him and the one that appeals to him the strongest is credit.

The plan most commonly used for granting the retailer credit is that known as *advance dating*. In this plan the bill of sale is dated from 30 to 60 days in advance of the actual

date of shipping, and 2% is discounted, that is, *knocked off* of the total amount of the bill if payment is made within 10 days' time from the date of sale.

This gives the retailer ample time to receive his goods, prepare his displays, and start his actual selling campaign before the payment falls due. On the other hand he has the privilege of raising the money and paying the bill within ten days and in the event of his doing so he gets the benefit of the 2% discount, and where a bill runs into hundreds or thousands of dollars this discount is not to be ignored.

From this you will gather that credit must be paid for and that the retailer is not exempt from such payment. But 2% is in reality a very small percentage to pay for credit for there are many other kinds of credit in which the payment exceeds 10% as you presently see.

The advantage of the retailer credit plan is that it enables the manufacturer or jobber to sell to the merchant without delay, and likewise, it enables the merchant to lay in a season's stock and prepare it for sale without the initial outlay of a large sum of money which might

tend at the time to cripple his activities in advertising and the sale of the goods. The jobber is extended credit in the same fashion or he gets it through other channels as you will also see further on.

Manufacturer Credit. It is often desirable for a manufacturer to have credit granted him by dealers in raw materials and machinery. This is done either through advanced dating as described above or through what is known as the *book account plan* which we will describe later on.

As an example of the desirability of credit to the manufacturer let's take a newly organized firm starting in to manufacture an automobile accessory. Without credit it would be necessary for the firm to have on hand an enormous amount of cash with which to buy raw materials, machinery, housing, and advertising. But by means of credit the firm can bring its business up to the point where it is able to turn its capital over quickly, and pay off its creditors quickly without embarrassment and all on a very small initial outlay.

Book Account Crediting. A kind of credit that is offered to substantial firms is known as

book account credit. The books of a firm show the nature and the amounts of the credits owed it, that is whether they are good or bad.

Now when the percentage of bad credits is small a firm can raise money on the strength of these book accounts through a commission house, brokerage firm, or factor,[1] and the procedure is as follows: The firm assigns its *book accounts* over to its creditor who allows it to withdraw a large percentage of the credits shown, usually from 75% to 90%.

The money is then advanced to the firm, minus 10% to 25% commission. The size of the commission charged depends on the risk the creditor is taking and this of course is based entirely upon the nature of the credits in the book account they are buying. In other words this is a case where the firm is not *borrowing money* but where it is *selling its credits*, *i. e.*, uncollected accounts for cash at a large discount.

As you probably know, in many States it is illegal to loan money at a higher rate of interest than 6%. Any amount above this percentage becomes what is known as *usury*.

[1] Factors are now called *mercantile bankers.*

Since, however, the book account plan is not a loan plan but a buying plan it is not illegal in the eyes of the law though it is nevertheless a form of credit.

Banks hardly ever charge more than 6% on loans but in virtue of the speculative nature of book accounts they are prohibited from making loans on them. Of course there are times in the existence of a firm when it must obtain large sums of money in order to keep things going, and when these conditions arise a high rate of interest is a secondary consideration.

Why a Credit Organization is Needed. We have told you that the way to make your goods bring the highest prices is to sell them on credit, but at the same time we have shown you that unless your credit dealings are well systematized and organized you will more than likely come out at the little end of the horn.

Hence, to operate without loss, you must establish a credit department and to do this you must have a thorough knowledge of the functions of a credit department and its sources of information all of which is described in the following chapters.

What the Credit Department Does. The

chief functions of a credit department consist of three determining features, namely, (1) the ability of the applicant for credit to liquidate the debt when payment falls due, (2) the intention of the applicant for credit to liquidate the debt when payment falls due, and (3) the future conditions upon which the applicant's ability to liquidate his debt when payment falls due.

The estimate of the applicant's ability to liquidate his debt is based upon the security, collateral, or attachable property which is actually in his possession. This serves two purposes namely, (a) you can judge to some extent by the applicant's visible signs of prosperity whether he will be able to liquidate the debt when called upon, and (2) if the applicant has sufficient property or security, in case he fails to liquidate his debt either in full or in part, that can be realized through this source.

The estimate of the intention of the applicant is one of the most important determining features a credit department is called upon to make. When a debtor fails for any reason to liquidate it, it involves the expense of much

time and money to realize on the security and sometime this last chance of realization fails.

What you want to know then is that an applicant for credit is honest and firm in his intention and determination of liquidating his debt. In the determination of this factor a complete record of past performances in liquidating his debts, and of the reasons which make it necessary for him to seek credit are invaluable.

Clearly an applicant, who has failed to make good his credit in the past, or whose reasons for wanting credit seem questionable, nay fishy, is not to be trusted unless his security is of the highest order, and amply sufficient to cover the amount of credit which he is seeking.

And, finally, the determination of the future conditions upon which depend the applicant's ability to liquidate his debt must be taken into consideration. Very often a man, or a firm whose intentions are the best in the world is unable to make good the credit extended to him, because of the financial stringency that has been caused by some unforeseen turn of the wheel of fortune.

Evidently it would be poor policy to extend credit to an applicant if your credit depart-

ment has concluded that the applicant's securities are unsound or that he is liable to fail at any time for any one of a dozen reasons. All of these determinations are absolutely necessary before credit of any kind can be granted. But to safely extend credit you have got to delve deeper into certain points concerning the applicant, or his business, or both.

When you grant credit you must not only know the liability but the reliability of the applicant, also the amount of business he has done, the status of his book accounts, outstanding debts, suits, etc., the ability of the heads of the firm to cut down expenses, the rapidity of turn-over and all the other little pro and con points.

In Chapter III, Part III, you will learn exactly how to obtain all of this inside information and just how your credit department makes use of it in analyzing the desirability of granting credit to an applicant. "Nearly all is brass that glitters" and this is especially true in the business world; consequently you must have an active and intelligent credit department if your firm is to conduct a credit business and still make a profit.

CHAPTER II

INSIDE CREDIT INFORMATION

The A. B. C. of Credit Information—How Credit Information is Obtained—The Direct Method—Credit Reporters—Property Statement Blanks—In the Indirect Method—The Salesman as a Credit Sleuth—Credit Information through Lawyers—The Record Searcher—Newspaper Clippings—Credit Information from Banks—Credit Information from Other Firms—Credit Information Agencies—Coöperative Credit Organizations—National Association of Credit Men—Collection Bureau—Legal Bureau—Adjustment Bureau—The Analysis of a Credit Statement.

As you know the three chief functions of a credit department are to (1) collect credit information, (2) systematize the information thus collected, and (3) discover by means of the collected data what individuals, firms, companies, and corporations are and are not good credit risks.

Not only must a credit department collect such information at the time it receives an application for credit but it must get hold of a large and varied assortment of such information as will come in handy for quick reference

in the future. Nothing is too small, or too large, for the credit department to gather into its information files that has any bearing on credit relations of the past, present, or future.

The credit department of a firm can be likened to a detective bureau but it operates for the prevention and discovery of credit crime; like the detective bureau the information obtained by the credit sleuth must be carefully assimilated and classified by the master mind of the credit man so that from it he can deduce his conclusions correctly.

The A. B. C. of Credit Information. To be of value credit information must first of all be intelligent, that is it must contain certain information that is at once definite as well as truthful.

Now the A. B. C. of credit information is *assets*, *business*, and *character*. With complete and reliable information concerning these three fundamental points the credit man can build up a credit system of unfailing accuracy. Included in the information on assets there must be a complete statement of the applicant's financial standing which, of course, includes his liabilities as well.

The information on business contains data on the capacity of the firm or house, that is, whether or not it is a going concern. Character information is based on the moral character and responsibility of the individual or firm applying for credit and is of course based on past performances.

How Credit Information is Obtained. There are two chief ways in which credit information is obtained and these are (1) the direct method, and (2) the indirect method.

Again there are two principal sources through which the credit department can obtain this information, namely (a) through the efforts of its own staff, and (b) through some outside agency from which the information is bought, or exchanged, as the case may be.

For the present, however, we will consider the ways of obtaining credit information and these are the same no matter what the source may be.

The Direct Method. There are, however, two schemes for obtaining direct credit information, that is to say, information gained directly from the applicant for credit and these are by (1) what are known as *credit reporters*,

and (2) what are called *property statement blanks.*

Credit reporters, who belong to the firm that is asked to extend credit, go the rounds and personally interview the applicant for credit. This is a fairly reliable means of obtaining credit reports for the applicant can be interviewed in his natural environment, *i. e.*, his home, store, or factory surroundings.

In this case the reporter can draw his conclusions from the condition of this environment that are more or less enlightening to the credit man. Suppose by way of illustration that your reporter interviews an applicant for credit in his store. The applicant states that he has a going concern and that his business is rapidly increasing.

The reporter, on the other hand, sees every sign of inactivity, poor organization, and but little system. These observations noted on the report enable the credit man to discount the applicant's statement and he takes it at its true and not at its face value.

In granting the consumer credit his home can generally be taken as a fair indication as to his stability and credit worthiness. For

instance a man whose income is known to be small but who lives in a palace can be taken usually as running his credit far and wide in order to do so. In a word he is unreliable.

Thus in a thousand and one ways it is possible for the reporter to observe things that agree or disagree with the applicant's statements and which in consequence either bear him out or give him the lie direct.

The second means of obtaining a direct report on the applicant's elegibility for credit is the property statement blanks and this is sent to the applicant to be filled out by him. These blanks can be bought from dealers in business stationery or from loose leaf manufacturers, and is the standard form adopted and recommended by the *National Association of Credit Men.*

As this blank is reproduced in Fig. 25, it is not necessary to go into a detailed description of it, suffice it to say that when it is accurately filled in it provides a source of credit information from which the credit man can pretty closely determine the reliability of the applicant.

In the use of these statements, however, there

are a couple of things that must be taken into consideration. The first is the wilful misrepresentation of facts by the applicant, and the second is the unintentional misrepresentation of facts by him.

Wilful misrepresentation is the least frequent of the two, for the credit shark, who was formerly addicted to this vicious habit, has had his teeth pulled by the legislation of a law which penalizes the act of giving false written statements in order to obtain credit. This being true the credit shark never knows when he is going to be picked up for this offence and prosecuted.

Unintentional misrepresentation is of common occurrence. It happens where the methods and systems, if there are any, in use by the applicant are so antiquated or lax, or both, that even if he is a church member, it is quite impossible for him to make an accurate statement. Moreover, this is the cause that usually lies behind his application for credit.

You will find on careful investigation that such an applicant wants far more credit than he is entitled to and hence, when such misrepresentation is found to have been made, it is not

PROPERTY STATEMENT BLANK

ADOPTED AND RECOMMENDED BY THE NATIONAL ASSOCIATION OF CREDIT MEN

For the purpose of obtaining credit and to induce you to sell me (us) merchandise, I (we) make the following statement in writing, intending that you should rely thereon respecting my (our) financial condition

ASSETS	Dollars	Cents	LIABILITIES	Dollars	Cents
Cash on hand			OWING FOR MERCHANDISE On open account not due		
Cash in bank			On open account past due		
ACCOUNTS owing from customers collectible			On notes and acceptances payable		
NOTES owing from customers collectible			OWING FOR BORROWED MONEY To bank		
			To others		
Merchandise, (How valued: Cost or Market)			Owing for rental		
Fixtures and equipment			Owing for wages and salaries		
Land and buildings as described below			Owing for taxes		
Owing from members of firm, employees and others not customers			Owing on land and buildings		
Other Assets			Other debts to relatives and others		
Total Assets			Total Liabilities		

RECORD OF LAND AND BUILDINGS

TITLE IN NAME OF	DESCRIPTION AND LOCATION	Book Value	Assessed Value	AMOUNT OF ENCUMBRANCE	To Whom

INSURANCE

On Merchandise _____ For Employers' Liability _____

On Buildings _____ Is any Insurance assigned? _____

On Furniture and Equipment _____ If so, to whom? _____

Do you pledge or sell accounts or notes owed you by customers to banks or finance companies or others? _____ If so, what amount is pledged? _____

Are any of your creditors secured by mortgage or other lien? _____ Is so, how? _____ Amount? _____ Who? _____

Average Monthly Sales _____ Portion in Cash _____ Portion on Credit _____

Average Monthly Expense _____ If your business property is leased, for what term and rental? _____

Do you keep books of account? _____ If so, what books of account do you keep? _____

Are the above figures estimated or taken from books of account and inventory? _____

When did you take last inventory? _____ At cost or market? _____

Is any portion of merchandise shown above on consignment or conditional sale? _____ If so, give details _____

Give exact location of business and how long established there _____

Previous business experience and where _____

PLEASE ANSWER ALL QUESTIONS. WHERE NO FIGURES ARE INSERTED, WRITE WORD NONE.

The foregoing statement has been carefully read (both the printed and written matter), and is in all respects complete, accurate and truthful. It discloses to you the true state of my (our) financial condition on the _____ day of _____ 19____ Since that time there has been no material unfavorable change in my (our) financial condition; and if any takes place I (we) will give you notice. Until such notice is given, you are to regard this as a continuing statement.

Firm (or Individual) _____

By _____ Member of Firm

Date _____ Town _____ State _____

IF PARTNERSHIP, NAME PARTNERS

Be sure to give a Complete List of Houses you deal with and Amount Owing each on reverse side of this sheet

(OVER)

LOOSE LEAF MFG. CO., CHICAGO 8M10-12

FIG. 25

prudent to grant credit at all unless it is on readily convertible security.

The first thing that the credit man must see before granting credit to an applicant, whether individual, firm, company, or a corporation, is the *balance sheet* and this should be *certified* by a *public accountant* so that you will know it is correct. From the balance sheet the credit man will be able together with such other information as he has on hand to make an accurate analysis of the firm's credit reliability.

A condensed balance sheet of the *General Motors Corporation* for 1918 is reproduced in Fig. 26, and you can see the kind of information that it contains and this is typical of all balance sheets. Now while we are assuming in this chapter that you are the man who is extending the credits you will do well to heed all of the points which we have set forth when you seek credit yourself.

You must agree that if you have the right to know on what basis other firms are asking you for credit, they have the same right, when the tables are turned and you are the applicant, to know yours. When they are furnishing you with capital for a given period to do business

ASSETS	December 31, 1918
Permanent Investment:	
Real estate, plants and equipment	$ 86,818,414.51
Less: reserve for depreciation	10,061,983.38
	$ 76,756,431.13
Investments in allied and accessories companies	2,839,531.23
Current and Working Assets:	
Cash in banks and on hand	30,636,621.48
Liberty Bonds	28,852,018.00
Marketable securities	172,304.86
Sight drafts against B/L attached	3,316,384.90
Due from U. S. Government on war contracts	7,305,626.76
Notes ($1,285,908.01 in 1918) and accounts receivable	21,995,359.50
Inventories at cost or less	91,137,512.59
Total Current and Working Assets	$183,415,828.09
Deferred expenses	762,651.85
Good-will, patents, copyrights, etc.	35,714,893.43
Total	$299,489,335.73

LIABILITIES	
Capital Stock:	
Debenture stock (authorized $150,000,000) issued	$ 30,756,300.00
Less: in treasury of General Motors Corp.	1,581,000.00
In hands of public	$ 29,175,300.00
Preferred stock (authorized $20,000,000) issued	$ 19,684,300.00
Less: in treasury of General Motors Corp.	13,300.00
In hands of public	$ 19,671,000.00
Common stock (authorized $200,000,000) issued	$151,301,100.00
Less: in treasury of General Motors Corp.	3,921,200.00
In hands of public	$147,379,900.00
Total in hands of public	$196,226,200.00
Purchase Money Bonds	225,000.00
Outstanding Capital Stock (par value) and surplus of subsidiary companies, being portion not owned by General Motors Corp.:	
Capital Stock	$ 2,960,400.83
Surplus	427,754.20
Total	$ 3,388,155.03
Current Liabilities:	
Accounts payable	$ 18,453,316.99
Notes payable	10,802,154.11
Taxes, pay rolls, and sundries accrued not due	3,769,865.29
Total Current Liabilities	$ 33,025,336.39
Reserves:	
For two months' proportion of Dividend on Preferred and Debenture stock, payable February 1	$ 488,463.00
For Federal taxes and extraordinary expenditures	25,863,823.23
For sundry contingencies	3,863,420.65
Total	$ 30,215,706.88
Surplus	36,408,937.43
Total	$299,489,335.73

FIG. 26—ANNUAL STATEMENT OF THE GENERAL MOTORS CORPORATION

on, and for your profit as well as their own, they want to know what use you intend to make of it and that you will pay it back.

The Indirect Method of Getting Credit Information. As you have seen we used the term *direct method* to mean that the applicant himself knowingly supplies the credit information needed, and by the same token we use the term *indirect method* to mean that the applicant is unaware that credit information is being obtained.

There are in all six ways by which credit information is uncovered and these are important for one or more of them can be taken as a means of *verifying* the direct information obtained from the applicant. Named, these ways are (1) through salesmen, (2) through attorneys, (3) through record searchers, (4) through newspaper clippings, (5) through banks, and (6) through exchanges for credit information.

The Salesman as a Credit Sleuth. The salesman makes an excellent sleuth providing you have faith in his intelligence and integrity. Since it is impossible for the salesman to give a customer a direct interview relating to credit

conditions without interfering seriously with his selling activities, you provide him with

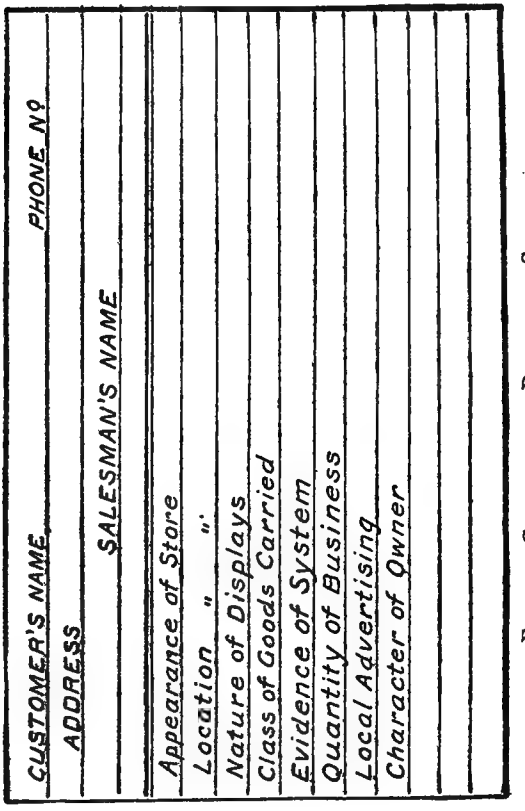


FIG. 27—CONFIDENTIAL REPORT OF SALESMAN

cards on which to report such information as he may gain in an indirect manner and which consequently does not hurt his sales.

One form of these cards is shown in Fig. 27

and it is self-explanatory. The salesman fills out his card unknown to the customer and encloses it with his sales report card to the sales manager who in turn refers it to the credit manager.

This form is an admirable check on the direct statement made by the customer when he applies for credit but unfortunately it has two loopholes in it and these are (1) the information is rather superficial and insufficient, and (2) some salesmen have the bad habit of letting the customer fill in the card to gain his good will and get his big order. However, it is a scheme that serves to give the credit man a line on the customer, and further it is a means of obtaining credit information that comes in regularly and costs nothing.

Credit Information through Lawyers. A very good way to get credit information about an applicant is through an attorney who lives in his home town. This is especially so in the smaller towns, where an attorney has an opportunity of keeping his finger on the business pulse of the community.

He can give you reliable information as to the past and present market conditions and the activities of the applicant and he can make

a fairly accurate estimate of the future outlook of affairs. Also he is fitted to give reports on the legal aspects, including litigations of firms in his locality, and for such services his charges are only nominal.

The Record Searcher. Another valuable source of information at the disposal of the credit man is the court records of suits, attachments, infringements, bankruptcies, and incorporations. This kind of data is mighty good to use as a check on the direct statements made by applicants.

While this information can be had through the services of your special record searchers it is at the same time better to let the local attorney dig it up, for, as we have said before, he is peculiarly well fitted to present it to the credit man in a manner that will be of the greatest value to him.

Information Gained through Newspaper Clippings. A large amount of information on the financial and legal activities of applicants for credit can be had from newspaper clippings. The financial columns of newspapers contain daily accurate reports on market conditions in every field of merchandising.

Much definite information can also be obtained on credit accounts that the department is handling at the time or expects to handle in the future and this information can be clipped and filed for reference. A *press clipping bureau* will furnish the credit department with clippings at a low cost and this is better than a clipping service conducted by the credit department in that it clips from a far larger number of publications.

Credit Information from Banks. Credit information can also be obtained from banks and although this is an indirect means of getting it, still it has some of the disadvantages of the direct means. Where a bank does a large business with a firm it is apt to be more liberal in its credit estimates than a disinterested reporter would be. But bank reports are useful in conjunction with the reports from other sources.

Credit Information from Other Firms. Finally an excellent source of credit information is that of other firms with whom the applicant for credit has or has had dealings. From these sources it can be determined how much risk is taken in granting credit by securing a complete

record of his credit dealings in the past and studying it from this viewpoint.

Many firms and particularly those who are members of the National Association of Credit Men will swap information of this kind with you and we reproduce in Fig. 28 a blank for the purpose of exchanging such information which is the form approved of by the Association.

Credit Information Agencies. The sole business of *credit information agencies*, or *mercantile agencies* as they are called, is to provide firms that buy their services with information on applicants for credit. As a rule they are only employed where a firm has no credit organization of its own. In general the methods employed by mercantile agencies are those just enumerated for getting credit information.

The reports sent in by these agencies contain three important items of intelligence and these are (1) information gathered through ordinary channels on the credit responsibility of firms in general, (2) general deductions of the agency relating to markets and business fields of endeavor, and (3) special reports on specific firms applying for credit.

While the cost of this kind of agency service is far less than that of keeping up a credit de-

19 MADISON AVENUE,

RETURN THIS TO US New York._____ 191

Kindly give us below YOUR EXPERIENCE with

Name_____ Business_____

P. O._____

From whom we have_____ order for $_____
(Indicate whether first order)

ALL INFORMATION WILL BE CONSIDERED STRICTLY CONFIDENTIAL

Yours truly,

APPROVED AND ADOPTED BY NATIONAL ASSOCIATION OF CREDIT MEN

HOWLETT & HOOKMEYER CO.

To_____

		MANNER OF PAYMENT ANSWER—YES OR NO.
Sold from_____ To_____		
Terms_____		Discounts
Highest recent credit,	$_____	Prompt and satisfactory
Owing now / Not due — On open account,	$_____	Slow but considered good
Owing now / Not due — On notes,	$_____	Slow and unsatisfactory
Owing now / Past due — On open account,	$_____	Account secured
Owing now / Past due — On notes,	$_____	Notes secured
Other information_____		Notes paid at maturity
		Notes renewed in full
		Notes renewed in part
		Makes unjust claims
		Collected by attorney

NATIONAL ASSOCIATION OF CREDIT MEN — ORGANIZED — VIGILANTIA — 1896

FIG 28

partment of your own having the same scope, especially where the amount of credit business you do is comparatively small, at the same time

there are drawbacks in the use of these agencies where firms are doing a large credit business.

RETAIN THIS FOR YOUR FILES

19 MADISON AVENUE,
New York, ... 191

We give you below OUR EXPERIENCE with

Name ..... Business .....

P. O. .....

From whom we have ..... order for $.....
(Indicate whether first order)

PLEASE CONSIDER INFORMATION STRICTLY CONFIDENTIAL

Yours truly,

APPROVED AND ADOPTED BY NATIONAL ASSOCIATION OF CREDIT MEN

HOWLETT & HOOKMEYER CO.

To .....

.....

Sold from ..... To .....

Terms .....

Highest recent credit, ...

Owing now / Not due: On open account, ... On notes, ...

Owing now / Past due: On open account, ... On notes, ...

Other information .....

.....

.....

.....

.....

NATIONAL ASSOCIATION OF CREDIT MEN
ORGANIZED
VIGILANTIA
1896

MANNER OF PAYMENT
ANSWER—YES OR NO.

.....	Discounts
.....	Prompt and satisfactory
.....	Slow but considered good
.....	Slow and unsatisfactory
.....	Account secured
.....	Notes secured
.....	Notes paid at maturity
.....	Notes renewed in full
.....	Notes renewed in part
.....	Makes unjust claims
.....	Collected by attorney

FIG. 28

Chief among the latter are: (1) They are slow, (2) information is not always as full and exact as it ought to be, and (3) they are not

sufficiently organized. To obviate these difficulties a new and better system of supply credit information has come into use.

Coöperative Credit Organization. This recent and more intelligent scheme of service consists of *coöperative credit organizations.* These organizations had their origin in the clubbing together of the credit departments of a few firms for their mutual protection and welfare.

In its simplest form these organizations merely swap credit information and this enables the credit department of any one firm to get more intelligent service and at the same time get it quicker and cheaper. In its more recent development a central credit office is established for all members of the organization and full information concerning all the credits established is kept there where it can be obtained by the members from time to time as it is needed.

In its present form of organization this system has decided advantages over the mercantile agency for it places at the disposal of any of its members all of the transactions of the other members among themselves and also

with outsiders. This furnishes a very thorough means of determining credit reliability through past performances.

Moreover the pooled interests of such an organization make it possible for you to obtain credit information very much cheaper than can be done where an individual credit information department is used. The more members admitted to such an organization the greater the amount of credit information that is available and hence the less is the expense of the individual member in securing the information he wants.

It is simply another case of where coöperation makes for economy and hence for success, and this is all the more true where the members of a coöperative organization are hot competitors. It has been found that in modern business the old and small time policy of putting every stumbling-block possible in your competitor's way doesn't work.

The National Association of Credit Men. The best coöperative credit organization in the United States is the *National Association of Credit Men* which is located at 41 Park Row, New York City. As its name indicates its

scope is *national* and this makes it highly useful to its members.

Briefly stated its aim is the coöperation of every credit organization whether privately or coöperatively owned in the United States, and the building up of conscience and confidence in business. It has a rapidly growing membership of over 23,000 representative credit departments and all of these work in the interest and protection of their fellow members who comprise manufacturers, wholesalers, jobbers, and bankers.

A membership in the *National Association of Credit Men* brings to you all the coöperation and information on credit that the heads of the biggest credit men in this country can supply you with. Since the *Association* is a national organization it is strong enough to have legislation enacted for the protection of its members against the credit swindler, and in this respect it has been eminently successful.

It has also supplanted the guesswork formerly attendant upon making credit extensions with certainty of results. The *Association* maintains a *legal bureau* which furnishes without cost to its members opinions on legal

points that arise in the extension of credits. It also stands for friendly adjustments and its *adjustment bureau* offers every facility for making such adjustments where misunderstandings have sprung up, and this without breaking the long and hard built up chain of credit relationship.

But the greatest advantage that it offers to you is that its moral effect on the debtor is far reaching. The fact that your debtor's credit relations with you are the common property of some 23,000 other firms tends to make him straightforward and above board in his dealings with you and with your fellow members whether he is honest at heart or not. He knows that to break faith with you is to lose his reputation with all the other members of the *Association* many of whom are possible sources of credit.

The Analysis of a Credit Statement. A credit statement, either direct or indirect, must be carefully analyzed by the credit man before he can reach a definite conclusion as to whether an applicant is entitled to credit or not. Every item of a statement must be carefully weighed against the business situa-

tion in so far as it relates to the applicant, in order that the credit man may determine if he is warranted in extending him credit.

The first thing that must be done in analyzing a direct credit statement is to discount it at its real value. In discounting statements you will be safe if you follow these rules, namely, (1) discount 50% on all goods whose actual value is vaguely or indefinitely shown, or whose value is variable; (2) discount 10% as an allowance for shopworn, defective, and depreciative stock; (3) discount 10% for wear, tear, and depreciation in value on machinery; (4) discount 10% on notes and accounts held as a reserve for bad credits; and (5) discount 20% on open book accounts.

If now the assets still exceed the liabilities after this fair discounting of values you can then safely grant credit in proportion to the excess. See Fig. 29.

When analyzing a statement you must make sure (a) that the current and working assets of the applicant exceed the current liabilities, (b) that the current and working assets are in cash, or in securities that are readily negotiable and have a full cash value, (c) that due allow-

ance has been made for the payment of dividends on bonds and stocks, also for bad credits, and that their own debts have been written off the books entirely, (d) that the face value of the statements have been properly discounted, and finally (e) that the intentions of the applicant are honest.

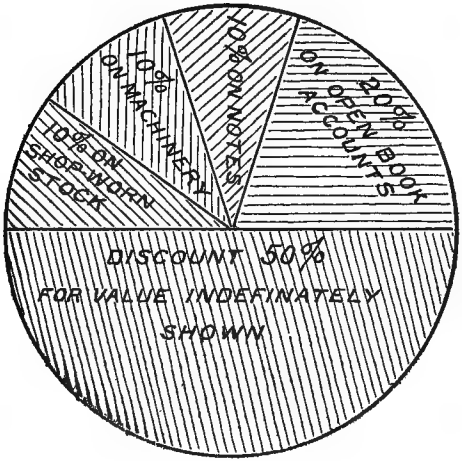


Fig. 29—Analysis of a Credit Statement

The example herewith will serve to show how the assets, liabilities, and capital affect the credit standing of a firm.

From this you will see that the capital in the three firms is the same in amount but that *A* is the best risk because he has no liabilities

and $10,000 in cash on hand; *B* is not so good a risk because his liabilities almost equal his

FIRMS

Assets	*A*	*B*	*C*
Machinery			$20,000
Stock	$20,000	$40,000	20,000
Accounts	10,000	30,000	20,000
Cash	10,000	2,000	20,000
Liabilities		32,000	40,000
Capital	40,000	40,000	40,000

capital and his cash is low, while with *C* his liabilities equal his capital and he is therefore practically insolvent and hence must not be granted credit at all.

CHAPTER III

CLOSING IN ON THE DEBTOR

Credit Extension and Credit Collection—System in the Collection Department—When to Call in Credit and Collect—Kinds of Delinquent Debtors—Methods of Credit Collection—The Credit Department—Outside Agencies—On Squeezing Payments out of Debtors—The Court of Last Resort—How Credit Adjustment Agencies Work.

You have seen from what has gone before how the credit department extends credit and how it works. The credit department includes still another department for the collection of the credits it has extended and this is known as the *collection department.*

Credit Extension and Credit Collection. Now credit extensions and credit collections are so closely related in the operation of any business where credit is granted that it is not practical to have the two departments making them under separate heads.

For this reason the credit manager must manage not only the credit department but also the collection department. While this

seems to be an overload of responsibility to pile onto the shoulders of any one man, still it is absolutely important for several reasons, chief among which is that the success of both of these departments depends almost entirely upon the ability with and extent to which they are able to coöperate.

This follows as a natural sequence for the data collected by the credit department and its decision in regard to the credit standing of its customers is of the greatest aid to the collection department in the prompt collection of debts. If these two departments were under separate heads there would be left open a loophole which evil or cross purposes could slip through and this would defeat the very ends for which the departments are organized as far as effectiveness is concerned.

The one absolute necessity of a successful business is perfect coördination and coöperation between the sales, credit, and collection departments of the selling branch of the machine. For what does it avail the sales department to make sales, or the credit department to extend credit, if the collection department can't collect, or *vice versa?*

The purpose of the sales department is, of course, to make as many sales as it possibly can, while that of the credit department is to allow it to make as many sales as it possibly can *safely*. This means that it must act as a check upon the activities of the selling department and naturally this tends to cause friction where there must be none.

From this it is clear that it is of the greatest importance that the members of a selling force are instructed as to the true purposes of the departments with which it must coöperate so that all of the departments will form a perfect working whole. That this condition may obtain, the credit and collection departments must first of all be welded together into a single unit, that is, the policy of both must be identical and they must work to the same end. It has been found that the best way to accomplish this is to have the management of both departments under one head.

It cannot be denied that where the responsibility of both of these departments rests on the shoulders of one man it is quite heavy. To ease up the burden a bit these departments must be as efficient as they can be made so

that the manager can spend his time in settling the big credit and collection questions, shown in Fig. 30, that come before him rather than thrashing out the little inconsequential details of everyday routine.

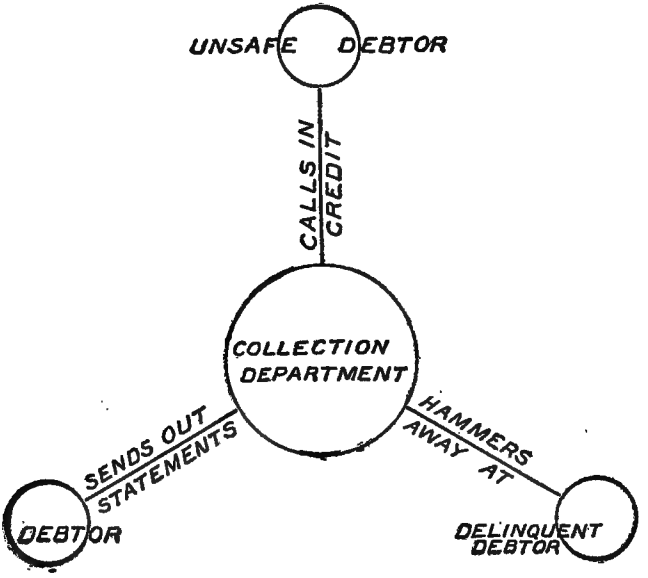


FIG. 30—THE THREE RING CIRCUS OF THE COLLECTION DEPARTMENT

To accomplish this the systems used in these departments must be simple, and at the same time accurate, so that the manager can immediately get hold of any piece of information

he wants and without the slightest trouble on his part.

System in the Collection Department. We have not got the space to go into all the details of a successful collection system but we will cover in a broad way the things that it embodies.

The following items are the important ones in the collection of credits that the manager must be able to find out with ease and dispatch, and these are (1) when the payment of bills falls due, (2) the credit standing of the debtor, and (3) the exact status of a collection at any given moment.

The collection manager must know when the payment of bills falls due in order to prepare for or be assured of their prompt collection. A knowledge of the credit standing of the debtor enables him to judge as to the promptness and certainty with which the debtor will pay and he lays his collection plans accordingly.

Not only must he know the rating of the debtor's business at all times so that he can tell whether the credit continues to be or not to be a safe proposition, but if he has reason to

believe that it is becoming doubtful he must be able to call in the credit and collect before it is too late.

And, finally, the system must provide a means to let the manager know the exact status of a collection at any moment so that he can determine the next prudent step to take to get the money. The use of the *tickler file* described in the preceding chapter will be found of the greatest service in this connection and in bringing the salient points of a collection before the manager when it needs his attention.

When to Call in Credit and Collect. We have already said that on certain occasions it becomes necessary. Now there are three specific cases when such drastic action will be necessary and these are (1) when the firm extending the credit runs short of funds, (2) when the firm extending the credit needs money to expand its business, and (3) when for some reason or other it is suspected that the debtor will fail to keep his obligations.

In the first two cases to call in credit must only be used as a last resort, that is to say, after all other means for raising money have failed. To call in credit on a good susbstantial account

means in the majority of cases that you will lose it in the future and, hence, it is clear that it would be poor policy to do so even though short of funds.

But when you find that an account is getting doubtful and there are good grounds for believing that the debt will not be paid, then there is only one thing left open for you to do and that is to withdraw the credit and do your best to collect. It is strictly up to the credit manager to decide initiative, and manipulation of the whole affair must rest entirely on his judgment of the situation.

One of the most common indications of a doubtful account is slow and reluctant payments which are as hard to get as pulling teeth. Of course the manager may scent danger long before this critical period arrives through some inside source of credit information.

Before closing out the account, however, a sure but often a quick investigation must be made. As we have pointed out before, for the credit man to close out a substantial account because of some groundless rumor or vague suspicion is for the firm to lose the account. Oppositely if he should fail to close

out when rumor or suspicion has a leg to stand on, the firm stands every chance of losing its money.

The first thing then that the credit man must do is to conduct a careful investigation, and this he can do in any one of several ways. Thus for accounts where only a small sum of money is involved it can be done through a *credit agency*, but for accounts where large sums of money are involved, the best procedure is for the credit man to conduct the investigations himself.

Sometimes he can do this through correspondence but often it is necessary for him to make a personal investigation and this is the way it is most commonly done. When on the actual ground where he can see the operations with his own eyes the credit man can find out many things which will either strengthen or weaken his *hunch* that the account is growing doubtful.

And he can do all of this without directly consulting the debtor and so causing harsh feelings if the account should prove after all to be strong. The advantages to be gained by this procedure are: (1) From a general survey

of merchandising in the town the credit man can feel the business pulse of the locality he is in; (2) from the debtor's local bank he can get a viewpoint as to how sound the debtor is; and (3) from the general news and talk about town he can get an insight into the debtor's character which has not been revealed previously.

The smaller the town the easier it will be for the credit man to get this information. But still he must realize that the last two kinds of information must be discounted and taken at their true values for frequently in a community folks are more than likely to grow a trifle short in their vision, and unable to read the signs that are as plain as the nose on his face to an outsider.

Kinds of Delinquent Debtors. This investigation will bring to light the fact that the debtor belongs to one of the following classes of delinquents, to wit, that (1) he is insolvent, (2) he is temporarily hard pressed, (3) he is careless, or (4) he is just naturally slow. Each of these classes requires a special mode of treatment in the collection of the debt.

With the first class there is only one logical course to pursue and that is to collect at once

by hook or crook and consider how you have done it afterward. Where the debtor is only temporarily hard-pressed and shows reasonable signs of rapid recovery the best policy is to let the credit run.

The debtor who is careless must be investigated thoroughly before taking any action; for if his payments are slow through carelessness the chances are his business is in the same fix even though he himself may not know or realize it. The fourth and last kind of a debtor is the kind whose inertia is so great that you've simply got to apply pressure to overcome it.

This class can usually be stirred into action by decisive correspondence and it is seldom advisable to call in the credit unless it is of course discovered that they are headed on a dead run toward insolvency, or unless it takes too great an effort to get paying action out of them.

Methods of Credit Collection. There are two methods in general use of credit collection and these are (1) through the credit department and (2) through outside agencies. When collections are made by the collection department they can be handled in two ways

(a) by correspondence and (b) by personal collection.

You have already seen the nature of good, strong selling correspondence in Part I, Chapter VII, *On Making Your Sales Through the Mails* and the collection letters sent out must be likewise strong, to the point, and give a heart to heart talk to the debtor, since they are to take the place of the absent credit man. Their aim should be to show the fairness with which you have dealt with the debtor and this being true you are entitled to fair play in turn.

It is a good plan never to let your debtor know that you are calling in credit because you have lost confidence in him, and don't let anyone else know it either. For instance if a couple of other credit men get to him first he will know that everybody is aware of his condition, and this is very apt to discourage him to such an extent that he will fail when otherwise he stands a chance of pulling his business out of the hole.

If you intimate your lack of confidence in his ability or intention to liquidate his debt, and should he then pull himself nobly out of the

hole and pay up, you will surely lose his future trade. The best policy is to indicate that your firm must have the money to carry on with.

The account though must never be allowed to drag along as this affords too great a chance to lose out entirely through the utter failure and final bankruptcy of the debtor. Your letters must be so logical and decisive that he can't get around, under, over, or through the arguments you offer.

Another phase of collection correspondence is the collection of debts at the time when payment falls due. Some collection departments send out semi-monthly statements on the 1st and 15th of each month. This is a poor plan for this reason: suppose a bill falls due on the 25th, then the mid-monthly statement brings it to the debtor's attention some ten days before the bill falls due, while the statement sent on the first of the following month does not bring it to his attention until payment is considerably overdue.

The only proper time to bring a bill to the attention of the debtor is the day the bill falls due so that when he receives the notice

he knows that it is time for him to pay immediately.

One of the surest means of getting prompt action from out-of-town debtors is to foot the bill with the statement that a "sight draft will be made on the debtor unless other form of payment is desired." If you do not include the alternative "unless other form of payment is desired" the statement would offend the customer and you might lose his trade.

As it stands, however, it gives your debtor the alternative, and if he does not reply to this notice within a reasonable time you can take it for granted that he prefers to pay through sight draft collection. If, however, the debtor fails to recognize the sight draft when sent to his local bank then more drastic means must be taken for the collection of the bill.

On Squeezing Payments out of Debtors. It is often possible to get a debtor to pay off his debt in small payments where it would be useless to try to get him to liquidate the debt all at once.

Where a credit man gets wind of a debtor's impending doom, and pursues this policy,

the debtor will usually pay because it keeps his credit good with other firms he is doing business with. When a debtor begins to go to pieces the credit man who is the first to scent the danger is the one who gets all of the money that is coming to him. To the slower credit men, however, is left only the pickings.

Still another means for getting money out of an obstinate debtor is to get him to give you a 30 or 60-day note, take it to his local bank and have it discounted and cashed. This scheme will work, as a rule, because the bank is right atop the debtor, so to speak, consequently it will have him focussed in the blind spot of its retina and hence will not sense his failure as has the wily credit man.

The Court of Last Resort. The last resort in the collection of a debt from a delinquent debtor is to try to recover the money by legal means. Now there are two classes of delinquent debtors (1) the honest failure, and (2) the fraudulent debtor.

With the first class of delinquents their intentions are good but their business ability was bad. Since the latter is not a crime, though admittedly inconvenient all round,

don't be too hard on them for they have done their best and no one can do more.

But the second class never intends to pay and are intent on beating you out of your money. Crooks of this caliber must be made to pay in full or be prosecuted to the fullest extent that the law affords, for in this lies the only protection of the creditor against fraud.

When it becomes apparent that a debtor won't pay up the only redress you have is to place the collection in the hands of an attorney. The latter can either be an outsider or he may be a part of the collection department's organization. As a rule the big firms employ a house attorney but where this is done it is the best policy not to let it be known that he is in any way connected with the firm.

Usually a letter from an attorney will suffice to bring forth a settlement or liquidation of the debt where half-a-dozen from a credit man will fail. Where the debtor is an honest failure and simply can't raise the full amount, it is better to accept a compromise or partial payment than to drag the matter into court as this is always a costly proceeding and not always a satisfactory performance. The fraud-

ulent debtor, however, should be forced to pay in full or else dragged through the courts on general principles.

How Credit Adjustment Agencies Work. Still another way to collect a debt is through a credit adjustment agency. These work their collections in much the same manner as a well-organized collection department of a firm.

These agencies give firms that are doing a small credit business, and which have no organized collection department of their own, the benefit of a trained force, and collections placed in their hands are made for a small percentage of the amount collected.

Moreover firms having collection departments can make use of them to advantage in (1) collecting debts so small that the collection department could not profitably take up its time with them, and (2) in collecting out-of-town debts that are hard to reach.

The credit adjustment agency tries to collect a debt by means of correspondence of the kind just described, and failing in this it will turn the collection over to a *bonded lawyer* who represents it in the town where the debtor has his business.

Credit adjustment agencies are much harsher in their treatment of a debtor than the collection department of a firm, for the former has as its sole object the collection of the debt and goes after the debtor rough-shod, whereas the collection department tries to get the money and at the same time to hold and build up future business.

Part IV

Business Wisdom

CHAPTER I

RAISING AND INVESTING MONEY

How to Raise Money—Forming a Partnership—Organizing a Company—How to Invest Your Money—Making Your Money Make Money—An Investor Versus a Speculator.

THE subject of finance covers so large a field it would take a book of this size to even scratch the surface of it. All that we can do here is to give you a few useful hints on (1) how to raise money to start a factory for turning out a patented product, as this is one of the most common beginnings of a business, and (2) how to invest money so that it makes more money for you.

How to Raise Money. We have written this chapter on the supposition that you have a patented article which you want to manufacture and market. About the first thing that a man runs up against in starting a manufacturing business is the proposition of raising sufficient capital to cover the cost of production and merchandising. This includes the cost of

machinery, raw materials, power, labor, selling, advertising, in fact everything until the product is finished and sold to the jobber, wholesaler, retailer, or consumer.

As an example we'll assume that you have a patented product which you want to make and market but that you haven't got the wherewithal to do these things on. This is a common everyday occurrence but fortunately, it is usually easy to solve and this is the basis on which many great industries and big fortunes have been built up.

Now there are several ways you can go about getting capital to start a business and among these are (1) to go into partnership with one or more men who will finance it, and (2) to form a company and float its stock.

Forming a Partnership. The best but usually the hardest way to get your proposition going is to interest a man or men who has or have enough capital and confidence in your proposition to back it up. To get in touch with men of means is nearly always a hard thing to do and to interest them is still harder though you can do it if you go about it in the proper way.

Just as a salesman must have a clever introduction and put up to his prospective customer a strong selling talk, so you must have an interesting and profitable argument to hand the capitalist, for what you are really doing is selling him your product—the product of your brain. But be careful you don't talk him to death for this is a failing that most inventors have.

One way to get an introduction to a capitalist is through your attorney, and if he is the one who has organized your company he will know all about the merits of the whole scheme. He will be able to put you in touch with the men in your town who have capital. With introductions from him you will stand a fair chance to get them to back you in your new enterprise.

Your attorney is by no means your only means of meeting moneyed men for you can often go to your banker, the merchants you deal with, and even the clergyman of your church, and get introductions through them to men who are likely to take up your ideas.

Finally advertising agencies will sometimes furnish you with introductions, especially if

they see that your scheme needs a big advertising campaign and that they stand a good chance of handling your account when you connect with capital.

A few advertising agencies which have large working capital promote schemes that they have confidence in themselves. Only in such a case they will tie you up with a long-time contract calling for the appropriation of a heavy percentage of your profits for advertising, which must go through their house.

Organizing a Company. Another way to raise money is to organize a stock company. To do this go to a corporation lawyer and have him organize and incorporate a company for you. Such a company will put your manufacturing and merchandising scheme on the map and from this time on you are eliminated as an impecunious factor, and your proposition begins to take on a businesslike air.

While the mere incorporation of a company will not bring any money into its coffers with which to begin operations it will enable you to raise the initial capital more easily and quickly than any other way. The actual money is obtained from the sale of the stock

of the company and the assets of the latter consist entirely at first of the patent you have turned over to it.

How to Invest your Money. The business man of to-day is not merely content to make money out of his business but he wants the money he acquires in this way to make more money for him—quite a natural and proper desire. But this is the place where many successful business men lose their money, that is to say, through their ill-advised efforts to make their surplus capital earn more money.

Making your Money Make Money. The only absolutely safe way to do this is to deposit your money in a savings bank where you will draw anywhere from 2% to 4½% interest. If, however, you are of an investigating turn of mind this seems like a beggarly low rate of interest when there are so many other kinds of investments which pay much higher rates.

And this is just where a lot of men fall down and lose out. They fail to realize that the higher the rate of interest paid on an investment the greater the chances they are taking with their money. While it is well to be conservative still it is not a good scheme to be so

conservative that you close your eyes to everything that comes along, but you must be discriminating.

An Investor versus a Speculator. Now let's see what the difference is between an *investor* and a *speculator*. An investor is a man who loans his money out on first mortgages, bonds, and listed stocks and to enterprises which have proved by past performances that they are thoroughly reliable. The investor is content with from 4% to 8% return on his money and usually he finds 6% quite satisfactory. The investor is a *sure-thing* man, or in the parlance of the sporting fraternity he is a *tin-horn*, that is, he never loses out.

A *speculator* invests his money too but differently from an investor; he is a gambler at heart and he is willing to take a gambler's chance. He disregards the laws of certainty and, hence, forfeits safety in his desire for higher rates of interest on his money. Unless he is a man of great financial genius or unless he is exceedingly lucky, it's a ten to one shot that he will lose his money.

So strong is this desire to obtain a high rate of interest that after the average man has

made a few sound investments he begins to speculate and this is usually the beginning of his finish. To play safe be an investor but never a speculator.

There are four kinds of investments which the inexperienced investor can safely make. The first is the savings bank and while this is the safest kind of an investment the disadvantage is that it very seldom yields more than 3½% to 4½%.

The second is buying bonds, but before you buy bonds you must have them investigated and this your bank will do for you. Just as thorough an analysis is necessary in buying bonds as in extending credit to the firm that sells them. The chapter on *Inside Credit Information* contains practically all of the points that you want to know about before buying bonds.

When you buy bonds get *short-term bonds*, that is, bonds that you can realize on in a short time. Bonds which run longer than ten years are not as a rule a good investment for an inexperienced investor to buy. The longer the time element the less the safety factor becomes. For this reason bond analysis of

future conditions is even more important than credit analysis of future conditions, for credit seldom extends over six months while bonds run for years.

As an investment *first mortgages* are quite like bonds, and, as a matter of fact this is what a good bond consists of. In buying first mortgages and bonds there is small chance for loss if you have made a thorough investigation first. The interest on all bonds, except *income bonds*, can't be stopped and consequently they are as safe as a bank.

Finally we come to stocks as an investment and right here let us say that of all the varied forms of investment that of buying stocks requires the most careful investigation and analysis. You will find on the market all kinds of stock from the *unlisted wild-cat* stock of an unknown oil-well company that sells at 10 cents a share to the A No. 1 *gilt-edged stock* of the big steel company that sells at away above *par*.

To purchase stock in a good, reliable concern that has stood the acid test of rigorous investigation is not speculation but sound investment. To buy stock in any other kind of a concern or

under any other conditions is speculation and you stand to lose, for the directors always have the privilege of stopping the payment of dividends. Moreover, if the concern you invest in is inherently unsound or is selling in an unsound market it may break at a critical moment and then of course you lose your whole investment.

To sum up, don't invest in anything that you have not investigated or analyzed, or had some one who is competent do so for you, as thoroughly as if you were extending credit to the concern, and you will safely be able to make your excess capital make money for you.

CHAPTER II

THE LOST ART OF MAKING A PROFIT FOUND

The Lost Art of Making a Profit—Why Merchants Fail—The Wrong and Right Ways to Figure Profits—What Overhead Charges Are—The Long Easy Credit Evil—The Open Book Account Evil—Weak Points in the Open Book Account System—What Trade Acceptance Is.

The Lost Art of Making a Profit. We have been through a good many manufacturing plants and retail stores where everything was hustle and bustle, where the highest priced experts that could be obtained were employed and where on the bright surface everything looked prosperous.

Yet on a close examination into the finances of the firms, we were surprised to discover that the valuable art of making a profit had been lost. Perhaps you in your business may have lost, if not the whole of this art, then perhaps a part of it.

It is our aim in this chapter, therefore, to cite a few points which often make the mer-

chant lose his legitimate profit, and which may make him operate at a loss for some time and end up with bankruptcy staring him in the face. This unfortunate state of affairs happens more often in the retail business than in any other, and it has been calculated that out of every one hundred retailers who start in business ninety-five fail because they never knew, or else had lost, the art of making a profit.

Now ninety out of every ninety-five retailers that fail do so because they have the wrong idea of the calculation of profits. In all other respects they are progressive and if it were not for this one great failing they would probably have kept afloat.

The misguided retailer makes his mistake in the calculation of profits in that he figures the *operating expense* and *net profit* on the *cost price* of an article as a basis, when as a matter of fact operating expense and net profit in the retail business can only be calculated rightly by using the *selling price* of the article as the basis of computation.

The Wrong and the Right Way to Figure Profits. To illustrate this point let's take the

following problem which is the one that the merchant has to solve every day. If you buy an article for $1.00 and want to make a net profit on it of 10% above your total operating expenses of 25%, what price must you sell the article for?

Give this problem to any retailer who has failed and he will instantly add the 25% and the 10% to the cost of the article and give you the answer as being $1.35. This is the reason he failed.

The successful merchant uses the following rule for the calculation of profits. From 100% deduct the sum of the operating expense and the net profit you want and *divide* the cost of the article by the difference obtained, when the quotient will be the price the article should be sold at.

Thus the successful merchant gets his selling price of an article by means of the above rule as follows:

From 100% he deducts 35% (that is 25% plus 10%) and this leaves 65%. Dividing 65% into 100% he has $1.54 as the selling price of the article. You can now readily see why the merchant who calculates the selling

price of the article in this problem as $1.35 soon makes a total and complete failure of his business.

After a few months of such costly selling he wakes up some morning to find that his capital has dwindled and shrunk until he has to close up shop, or his creditors do it for him.

Now let's go a little deeper into the problem of which we have shown you the incorrect and correct solutions. There are three chief things that the profit on any article must cover if the merchant is to be protected against loss. These are: (1) overhead expense; (2) interest on the capital invested; and (3) contingencies.

The expenses of the first two of the above items can be accurately ascertained. The last item, however, is the one that causes the merchant the most trouble, for it depends on several extremely variable and unforeseen conditions, hence its accurate calculation is practically impossible.

What Overhead Charges Are. Overhead charges comprise the following expenses, all of which can be accurately determined beforehand; named, these are: (1) rent; (2)

insurance; (3) wages; (4) advertising; (5) light and heat; and (6) freight. The interest on the capital invested can also be accurately calculated.

The contingencies, which comprise the following expenses, are, however, impossible to calculate with any degree of accuracy, and these are: (1) natural depreciation of stock; (2) losses through bad debts; (3) dishonest employees; (4) inefficient overbuying and poor buying; and (5) backward seasons.

The three big points enumerated above, that is, overhead charges, interest on capital, and contingencies, are known as the *total operating expenses*, and the first solution of the problem, *i.e.*, $1.35, will enable the merchant to cover them and make a profit provided his contingency expenses are not more than 10%. Should his contingencies exceed 10% they will eat into his profits and should they exceed 20% he will be operating at a loss and on the rocky road to bankruptcy. A selling price of $1.54 however amply provides for contingencies.

The Long, Easy Credit Evil. We now come to the long, easy credit evil, which next to improper calculation of profits is the most

prevalent cause of the failure of the retail merchant.

In the early days of business, when banks were few and currency was scarce, long time credit was often a necessity, but now in these days when the banking system has been developed to a point approaching perfection and when the coin of the realm is plentiful, it is an evil of the retail business rather than an aid to it.

To the end that you can see just how long, easy terms of credit help to ruin the unsophisticated merchant let us follow the chain of circumstances that naturally accompany the extension of such credit. J. C. Martin is a retail grocer in a Massachusetts town and he buys his stock from the *Bay State Wholesale Grocery Company.*

Since this wholesale company has unlimited capital it grants to J. C. Martin long, easy terms of credit, which pleases the retailer but it makes him do two things which he shouldn't do, namely: (1) he overstocks, and (2) he in turn grants long, easy credit to his customers.

He soon reaches the point where at the end of the month he is carrying 200% and upwards

of his month's business on his books. Then comes a local financial stringency and his customers either move away or can't pay him, with the final result that J. C. Martin is a total bankrupt.

Of course the blame for J. C. Martin's failure rests mostly on his own shoulders. He should have insisted right from the start with his customers on short credit, and he should have made his customers pay their bills when they fell due. Again he never should have carried more than 80% of his business on his books at the end of the month.

But the *Bay State Wholesale Grocery Company* is really as much to blame for J. C. Martin's failure as he is, and perhaps more so, for since he is a small merchant with no former merchandising experience he looked to the wholesaler, who has unlimited capital, to set the example in the matter of credit. The example the firm set, which was long, easy credit, ruined him for he failed to realize the advantage that a large working capital gives.

We have told you this all-too-true story of the small retailer so that you will not make the

same mistake that J. C. Martin did. Buy your goods on discount terms, sell on short credit, and collect your bills promptly. You will find that this policy will not make you lose but will gain customers for you, and the few that do drop out because your methods are too businesslike to suit them will be supplanted by others who see the merit in doing business in a businesslike way.

Further the few customers you will lose through this policy are always the unreliable ones, who would drag you to your ultimate ruination anyway. We repeat—cut out the long time, easy credit business that has a strangle hold on you and be a success.

The Open Book Account Evil. And finally we come to the last great evil that the retailer has to contend with and this is the *open book account system.* This system of granting credit has been in common use for years and, unfortunately, it has been permitted to exist without molestation.

It was only five years ago when the war started that any serious thought was given toward checking it. Certainly of the many

beneficial results of the war the solution of the open book account problem is not the least. This solution which we strongly advocate was made possible by the Federal Reserve System and it has changed our inadequate and unorganized financial system into a smoothly running piece of financial machinery.

Weak Points in the Open Book Account System. Before we go on and tell you how the problem of the open book account was solved, and the solution of which is the last word in financial and credit progress, we'll point out a few of the abominably weak spots in the old book account system which have been the indirect cause of ruining merchants ever since the system originated. These are: (1) the open book account has no definite date of payment; (2) the open book account ties up your capital for a length of time that is determined not by you but by your customer; (3) the open book account is often hard and expensive to collect because of the abuse of sales terms, extensions in time, and collection correspondence; (4) the open book account is not easily negotiable, hence it cannot be turned

quickly into available cash; (5) the open book account is discounted 50% of its face value because it only shows the approximate liquidated value of the assets; (6) the open book account fosters the deferment of credit liquidation; (7) the open book account permits the goods to be returned; and (8) the open book account provides you with no adequate evidence of sales and it is legally lax.

The above are only a few of the many bad features of the open book account system and upon any one of these points can hinge your failure.

What Trade Acceptance is. The modern credit vehicle which was introduced under the Federal Reserve System is known as trade acceptance and it not only does away with the evils of the open book account system but it helps you in many other ways in the conduct of your business and assures you of success.

A trade acceptance is shown in Fig. 31 and you will observe that it is entirely unlike either a sight draft or a promissory note. It has the following distinctions from a note,

viz.: (1) a note is always drawn by a person, while a trade acceptance is drawn by the buyer, and (2) a note is used to indicate the borrowing of money, whereas a trade acceptance is the direct evidence of the *sale* of goods and of prompt payment.

You will see that the trade acceptance shows on its face that it is drawn on the debtor for the buying price of the goods sold and signed by the merchant when the debtor signs his name to it, it shows that it has been accepted and it then becomes legal tender for the payment of the debt.

Now let's see just how you use trade acceptances in your business. On selling a bill of goods to a customer you ask him to sign a trade acceptance for the purchase price of the goods. If the goods are for ordinary purposes the acceptance will run from thirty to ninety days but if for agricultural purposes it may run for six months.

After signing the acceptance yourself you will then take it to the bank and get it *cashed*, the rate of discount for this service being ½ of 1% lower than such service is on a promissory note. This is because the bank can dis-

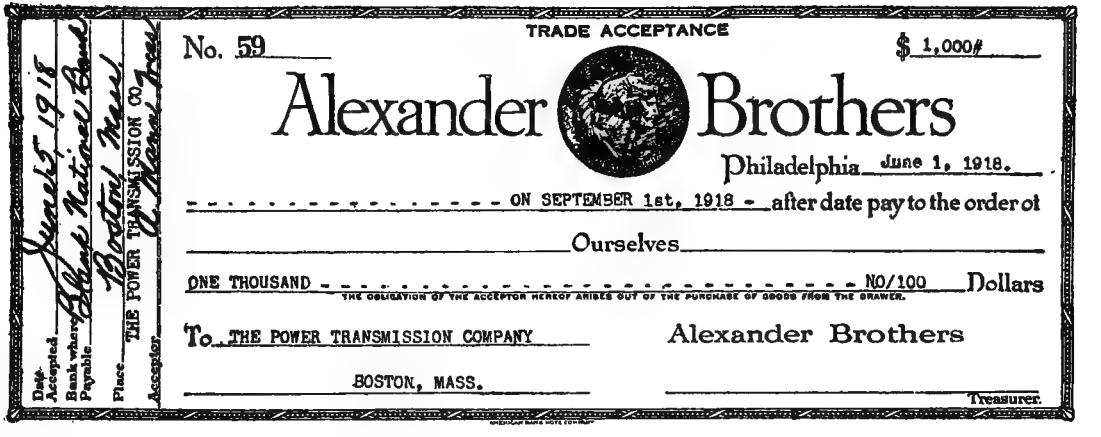


FIG. 31—A TRADE ACCEPTANCE

count the trade acceptance at a *Federal Reserve Bank* at a lower rate of interest than it can a promissory note. In this way you make your sale and get your money immediately; your sale does not drag along on your book accounts for it is the banker who makes the collection. See Fig. 32.

Now let's see some of the advantages of the trade acceptance system, viz.: (1) the customer will pay trade acceptance promptly in order to keep his credit good at the bank; (2) the trade acceptance converts your accounts into immediate cash and releases your capital, thus building a firmer foundation for your business; (3) the trade acceptance takes the banking business out of your hands and puts it in the hands of the banker where it belongs; (4) the trade acceptance makes it unnecessary for you to borrow money; (5) trade acceptances are *two-name* papers and hence better legal tender than single-name papers, consequently they can be discounted cheaper at banks; and, finally, (6) trade acceptances minimize your collection costs.

Put this system into use with your customers and it will start you roaring along the

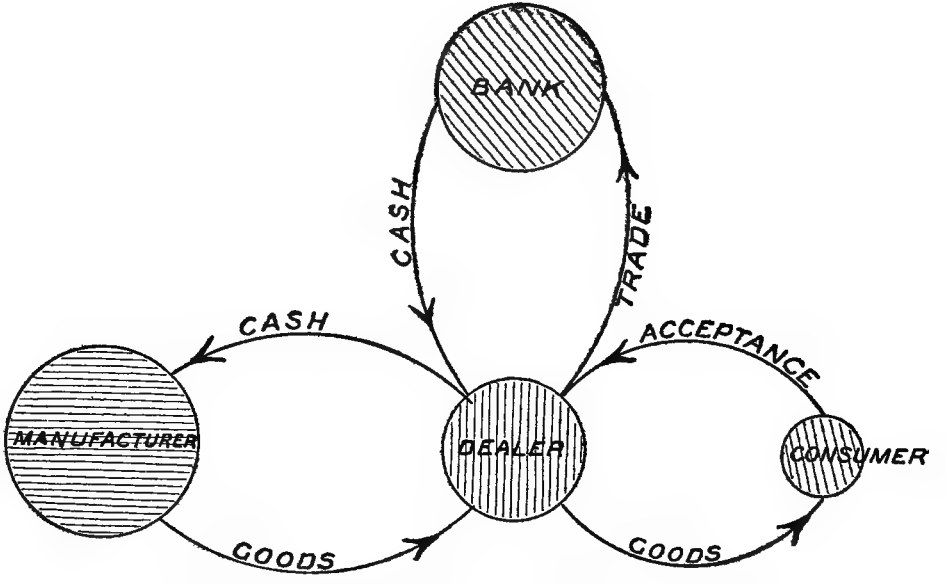


FIG. 32—HOW THE TRADE ACCEPTANCE SCHEME WORKS OUT

road to prosperity. It is now being used throughout the length and the breadth of the country by the largest and most successful merchants and by following their example you can be one of them.

INDEX

A. B. C. of credit information, 230
Abridged card index system, 35
Acceptance, trade, 291–296
Account, open book, 289–291
Accountants, public, 236
Accounting department, 185
Accounts, padded expense, 22; closing out, 259
Adjustment agencies, credit, 268
Adjustment Bureau of N. A. C. M., 249
Advertising, to sell to retailers, 93; literature, 93; who pays for, 99; getting propects through, 115; value of local, 154
Agencies, credit information, 242; mercantile, 243; credit, 260, 268
Agents, getting through the mails, 116; resident *versus* traveling, 149
Aids, the merchants selling, 66; to a manufacturing business, 96
Analysis, of credit statement, 249–251; of bond conditions, 279
Animal magnetism, 50
Apparel, salesman's, 46; designers of, 202
Appliances, map and tack, 138
Art, of salesmanship, 10; of making repeat sales, 89; of making a profit, 101, 282; of sales correspondence writing, 119
Assembly of a buying machine, 182
Assets, business and character, 230
Association, National, of Credit Men, 233, 247
Attention, attracting your customer's, 13
Attitudes of buyers, 8
Axiom for buying, 214; for selling, 214

Balance sheet, 236
Banks, credit information through, 242
Barter, old time, 4, 5, 209
Basic principle of selling systems, 34
Bonds, analysis, 279; short term, 279; income, 280
Brain, product of your, 275
Bureaus, press clipping, 242
Bush Terminal Sales Building, 201
Business, modern, 5; increase in fifty years, 21; success in, 24; manufacturing, 96; visualizing, 136; keeping a map and tack grip on, 136–155; credit and, 209; confidence, 213; rating of debtor, 257; wisdom, 271
Buyers, various attitudes of, 8; of dress patterns, 70; how to interest, 80; entertaining, 81; must have good training, 166; what good, must know, 167; and their firms, 168; must know their goods, 170; must know about demand, 172; must know firms they buy from, 174; must know selling policies of firms dealt with, 177; head, 181;

Buyers—*Continued*
kinds of, 182; domestic, 183; foreign, 183; coöperation for, 199; International Club of, 201
Buying, and customer, 15–17; expert, 110, 159; reciprocal of selling, 159; essentials of shrewd, 159; shrewd, lowers cost of production, 162; applied principles of shrewd, 163; raw materials, 178; finished products, 178; building up machine, 179, 180, 182; departments, 183; system in, 185, 186; information, a source of, 188; information cards, 191; coöperative and chain, 195; axiom, 214; bonds, 279

Cabinets, for maps, 139; for filing, 192
Calculating profits, 283
Canvassers, 78
Capital, *see* Money
Card, index system, 35, 143, 151; report system, 35, 36, 239
Cash *versus* credit, 117
Certified balance sheet, 236
Chain and coöperative methods, 195–205
Charges, overhead, 285
Circle, eternal selling, 7, 8
Collection, writing letters of, 133; department, 253; three ring circus of, department, 256; system in, department, 257; manager, 257; methods of credit, 262; by correspondence, 263; by personal appeals, 263
Commercial confidence, 207
Commission, house, selling through, 103; man defined, 104
Commodities, standard prices for, 6
Company, organizing a stock, 276
Competitive selling force system, 38
Competitor, goods of, 17, 18, 160
Competitor, knowing goods of, 17
Confidence, in your goods, 19; commercial, 207; in days of yore, 209; business, 213; in debtor, 263
Consumer, what he pays for, 100; manufacture to, plan, 103; in large city, 113; in small town, 113; selling, through mails, 118
Contact, point of, 70, 82–85, 128
Contingencies, 286
Conversation, 51, 52
Coöperation for the buyer, 198
Coöperative, and chain methods, 195; buying, 196; plan, what it does, 198; drawbacks of, buying, 198; service, 203; credit organizations, 246
Correspondence and selling, 119–135
Cost of production, 97, 99, 162; price, 283
Cotton, 183
Counter, selling over, 58, 60, 73; salesmen, 60, 74; displays, 63
Court of last resort, 266
Courts, records of, valuable to credit man, 241; last resort, 266
Credit, and selling terms, 110; cash *versus*, 117; and business, 209; and the Indian, 211; what is, 213; is necessary, 215; kinds of, 215; A. B. C., of information, 230; reports, 231; information, direct method, 231; National Association of, Men, 233, 247; shark, 234; salesman as sleuth, 238; information, indirect method, 238; information through lawyers, court

Credit—*Continued*
records, newspaper clippings, other firms, banks, 240–242; information agencies, 242, 260; coöperative organizations, 246; analysis of a, statement, 249–251; collection, 253; department, 253; extension, 253; manager, 253; standing of customers, 254; when to call in, 258; methods of collection, 262; adjustment agencies, 268; long easy evil of, 286
Crops, relation of, to sales, 38
Cross referencing, 189
Curiosity, how to arouse, 62
Customer, attracting attention of, 13; rousing interest of, 13; mind of, 15, 61; kinds of, 68, 71; resolved to buy, 68; desires to own, 69; merely curious, 69; idly curious, 70; standing credit of, 254

Debtor, closing in on the, 253; business rating, 257; credit of, when to call in, 258; delinquent, 261, 266; lack of confidence in, 263; squeezing payment out of, 265; court of last resort, 266; discounting notes of, 266; fraudulent, 266; honest, 267
Department, buying, 183; tracing, 183, 189; receiving, 184; accounting, 185; distributing, 185; system used in tracing and placing, 189
Designers of apparel, 202
Desire, 11; to own, 14
Diamond of the selling game, 79
Dictaphone, 126
Direct method of obtaining credit information, 231
Directory of Mailing Lists, 115
Discounting debtor's notes, 266
Displays, purpose of, 64; kinds of, 65
Distributing department, 185
Doctoring up sick sales, 37
Drummers of old, 22
Duties of a sales manager, 30

Entertaining buyers, 81
Episode, of a publishing firm, 121; of dealers in wood-burning outfits, 165; of a bright salesman, 196; of J. C. Martin's failure, 287
Essentials of stock disposition, 76; of shrewd buying, 159
Eternal selling circle, 8
Expense accounts padded, 22
Expenses, operating, 283, 286
Expert buying, 110, 159

Fable of the Gasco Carburetor Co., 107
Facial characteristics, salesman, 48
Factor, defined, 105; how works, 105; in early days, 212
Fashions, library of, 202
Federal Reserve System, 290, 291, 294
File, tickler, 137, 190, 192, 194
Filing cabinets, 192
Financial clippings, 38; conditions, relations to sales, 38
Follow-up letters, 117, 130
Foreign buyers, 183
Form, useful question, 31; card index, 35; for perpetual inventory, 188
Forms in triplicate, 189
Franco-Prussian War, 20
Free trial plan, 114
Friends, how to keep, 18

Gasco Company, Fable of, 107
General Motors Corporation, 236
Goods, knowing competitor's, 17; attractive display of, 63; advertising to sell, of retailer, 93; kinds of, 173

Hudson Bay Company, 211

Human nature, 6, 7, 43, 108, 126
Hypnotism, 50

Income bonds, 280
Indemnities, 20
Indian and credit, 211
Indirect method of credit information, 238
Information, card index, 35; for jobber, 108; perpetual inventory, 187; buying cards, 191; A. B. C. of credit, 230; how credit, obtained, 231; indirect method of getting credit, 238; credit, through lawyers, newspapers, other firms, banks and credit agencies, 240–242
Interest, stage, 11; of customer, 13; of buyer, 80; of jobber, 104
International Buyers Club, 201
Introduction, first stage of selling talk, 11; through advertising agencies, 275; to capitalist, 275; through attorneys, 275
Inventory, perpetual, 186, 187
Investing money, 273, 277
Investor *versus* speculator, 278

Jewelry a salesman should wear, 46
Jim Crow salesmen, 42
Jobber, defined, 94; selling to, 95–110
Jokes, seven original, 14

Largeness of vision, defined, 106
Lawyers, credit information through, 240; bonded, 268
Legal Bureau of N. A. C. M., 248
Letters, follow-up, 117, 130; mimeographed, 123; printing, 123; psychology of selling, 124; how to put selling punch in, 125; parts of, 125; personal *you* and *I* tone in, 126; body of, 129; layout of successful selling, 130; enclosures with, 132; long *versus* short, 133; collection, 133
Liability, selling to consumer becomes, 102
Lists, Directory of Mailing, 115
Literature, advertising, 93
Little Old Man of the Sea, 214
Loving cup, use of, 210

McCollins, Angus, 85
Magnetism, personal, 49; animal, 50
Mahatma, East Indian, 143
Mail order correspondence, 119–135
Mailing lists, 114, 115
Mails, selling through the, 42, 111–135
Man, debut on earth, 3; first attempt at bartering, 4; art of speech, 4; stone age, 6, 209; patent medicine, 8; the human animal, 15; greatest weakness, 214
Manager, master sales, 26
Manufacturer, profits of, 95; to consumer plan, 103; salesmen of, 104; and competition, 160
"Map and Tack" system, 136–155
Markets, great, of world, 182
Mass attraction, 50
Membership in N. A. C. M., value of, 248
Memory, 54, 55
Mercantile agencies, 243
Merchandise, tangible and intangible, 159
Merchandising, keynote of, 99
Merchants, selling aids of, 66
Mesmerism, 50
Mimeograph, 123
Mind, receptive state, 15; of customer, 15, 61; aggressive state, 15; domination of, 28

Misrepresentation, of goods, 117; unintentional, 234
Money, invention of, 4, 6; raising, and investing, 273–281
Mortgages, first, 280

National Association of Credit Men, 233, 247
Nationalization, 102
Newspaper clippings, value of, 37, 241
Norsemen, 209
Notes, discounting debtor's, 266
Novelties defined, 174

Old Ironsides, 85
Open book account, 289–291
Orders, how to keep track of, 190
Organization, need of, 23; value of, 24; of modern selling force, 25; of traveling sales force, 27; of a buying machine, 180; coöperative credit, 246; of a stock company, 276
Overhead charges, 285

Paperwork, 34
Partnership, forming a, 274
Patent medicine man, 8
Personality of salesman, 48
Policy of a firm, 168
Possessorship, first thoughts of, 3
Power, to convince, 7; of suggestion, 16
Prices, first fixed, 6; what boosts, 99; final, 101; cost, 283; selling, 283
Printing, kinds of, 122
Production, outlet for, 78; in quantities, 97; who pays cost of, 99
Profits, of companies in U. S., 20; lost art of making, 101–103, 282–296; and selling to consumers directly, 102; and commission man, 105; wrong and right way to figure, 283
Property statement blanks, 232
Prospects through advertising, 115
Psychology of selling letter, 124
Public accountants, 236

Retailer, output of, 86; selling to, 88; advertising to sell goods of, 93; why fails, 283, 287–291; aided by trade acceptances, 291–296
Robbery, prehistoric, 3, 5
Routes, mapping out, 31, 146

Sales, science of making, 11; organization of force, 25; manager, 26; doctoring sick, 37; relation of crops, financial conditions, weather to, 38; over the counter, 73; organization of retail force, 77; repeat, 89; hurry-hurry, 92; to jobber, 95, 103; correspondence, 119
Salesman—definition of, 6; qualifications, 9; points for, 13; in the past, 21; traveling, 27, 44, 60; solving problems of, 29; hiring, 30; report card of, 36, 239; bolstering up, 40; live wire, 41–57, 67; and customer, 43; with rate, 43; fixed, 44; varieties of, 44; qualities of high grade, 45; personal appearance, 45; wearing apparel of, 46; jewelry, 47; facial characteristics, 48; personality, 48; physical body, 48, mental self of, 51; moral fiber, 55; inefficient, 57; inexperienced, 72; counter and stock, 74; what must know, 86; too clever, 90; commission man, a, 104; manufacturing, 104; following, 146; traveling *versus* resident agents, 149; episode of a bright, 196; credit

Salesman—*Continued*
sleuth, 238; confidential report, 239
Salesmanship, beginning of, 6; definition, 6; scientific, 10; of high order, 95, 106; in selling to jobber, 106
Selling, first principles of, 3; definition of, 4; eternal circle, 7, 8; convincing talk necessary, 9, 51; vital steps in, 11; kind of talk necessary in, 16; kinds of, 18; force for, 20, 25, 26, 29, 38; policy and schemes, 27; specialists in, 29, 101; and system, 33, 34; paperwork, 34; ways of, 41; through the 42, 111–135; over the counter, 58, 60, 73; aids to, 66; big diamond, 79; features of successful, 81; to retailer, 88; to wholesaler, 94; to jobber, 95–110; specialists in, 101; through commission house, 103; buying reciprocal of, 159; axioms of, 214; price, 283
Shipments, how checked up, 193
Side lines, handling of, 32
Spark plugs, 160
Speculator *versus* investor, 278
Speech, when first learned, 4
Stages of selling talk, 11
Staples defined, 173
Stationery, kinds of, 122
Sticktoitiveness, 55
Stock, counter salesman and, 74; arranging and systematizing, 75; essentials of disposition, 76
Stock company, how to organize, 276
Stocks, gilt-edged, 280; listed and unlisted, 280; wild-cat, 280
Success, in business, 24; in counter selling, 59; chief features in selling, 81; in letters, 119, 124
Suggestion, positive, 15, 16; negative, 16
Super-salesmanship, 106
System, and selling, 33; card index, 35; understudy, 38; map and tack, 136–155; in buying, 185, 186; in tracing and placing department, 189; in collection department, 257

Tact, near and real, 53; use of, 53
Talk, forceful, 7; stereotyped, 8; a selling, 9; irrelevant, 14; to the purpose, 14; use of suggestion in, 16
Territory, mapping out, 31, 146
Thinking in logical sequence, 7
Tickler file, 137, 190, 192, 194
Tracing department, 183, 189
Trade, wholesale, 94–110; acceptances, 291–296
Triplicate forms, 189
Two-name paper, 294

Understudy system, 38
United States, profits in, 20

Vision, largeness of, defined, 106, 107

Weather, reports, 37; and relation to sales, 38
Who's Who, 115
Wholesaler defined, 94
Window, displays, 63; dressers, 65
World, great markets of, 182

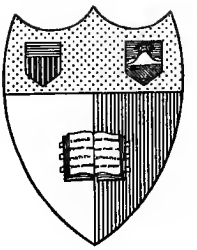
A Selection from the Catalogue of

G. P. PUTNAM'S SONS

Complete Catalogues sent on application

PRACTICAL SALESMANSHIP

NATHANIEL C. FOWLER JR.



New York
State College of Agriculture
At Cornell University
Ithaca, N. Y.

Library

Cornell University Library
HF 5438.F6
Practical salesmanship; a treatise on the
3 1924 013 920 503
mann

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924013920503

PRACTICAL SALESMANSHIP

PRACTICAL SALESMANSHIP

A TREATISE ON THE

ART OF SELLING GOODS

BY

NATHANIEL C. FOWLER, JR.

Author of "Starting in Life," "Gumption," "The Boy — How to Help Him Succeed," etc.

ASSISTED BY
TWENTY-NINE EXPERT SALESMEN, SALES-MANAGERS
AND PROMINENT BUSINESS MEN

BOSTON
LITTLE, BROWN, AND COMPANY
1914

Copyright, 1911,
By Little, Brown, and Company.

All rights reserved

Ag. 10186

Printers
S. J. Parkhill & Co., Boston, U.S.A.

A WORD AT THE START

THE art, or science, or practice of salesmanship cannot be taught academically or automatically, or by book, lesson, or teacher. The concrete vocations, — bookkeeping, stenography, typewriting, and the clerical or mechanical side of business, — may be wholly or partially imparted by book or lesson; but the practice of a vocational art, which does not depend upon definite rules, cannot be driven into anybody by rote or regulation.

While salesmanship is not independent of basic principles, and while it is dependent upon unwritten, if not written, law, its action is so closely allied to personality that it cannot be presented either by chart or table of rules.

Therefore, the author attempts to present the great principles and ethics of salesmanship, a study and analysis of them, in a way which he hopes will be helpful, practical, and profitable; and all that he says is interwoven and supplemented with the experience of active authorities, who have given the larger part of their lives to selling, on the road, or behind the counter, or to the management of salesmen and saleswomen.

Every word in the book represents composite experience, and not the mere opinions or training of the author himself. From out of a mass of experience, his own and others', he has attempted to present word pictures of business fact.

TO WOMEN READERS OF THIS BOOK

For convenience, and only for convenience, the masculine noun and pronoun have been used in this book; but every word in it is intended for women as well as for men.

Custom, as well as convenience, suggests this form.

The constant mention of both sexes would be confusing and require unnecessary repetition.

CONTENTS

WHAT IS SALESMANSHIP?

Page

Its position in the economy, progress, and profit of business as an indispensable wheel in the great engine of activity. — Salesmanship was born at the birth of trade, and without it modern business-doing would be impossible 1

THE PSYCHOLOGY OF SELLING

Some of the principles of salesmanship. — A semi-scientific analysis of the component parts of the art of selling goods. — The elements of salesmanship. — The strength of the whole is in the harmony of the parts 10

WHAT SALESMANSHIP OFFERS

What salesmanship offers at the start and all along the line. — What it may lead to. — The important and indispensable position occupied by the salesman in the world of business. — Perhaps no other vocation gives one a better business opportunity 21

KNOWING YOUR GOODS

The absolute necessity of being fully acquainted with what you sell from the ground up, even to the growing of the raw material. — How to find out all you need to know about what you sell. — The importance of knowing your goods cannot be over-estimated 25

KNOWING SOMETHING BESIDES YOUR GOODS

Page

The value of general knowledge and information, that the salesman may be able to meet his customers socially when occasion requires and converse with them upon current events, even during the "heats" of business 33

DIAGNOSING THE CUSTOMER

The art of "sizing-up" the customer, of discovering in advance his characteristics, his desires, and his needs. — A matter of great selling consequence 38

THE INSIDE SALESMAN

The inside, store, counter, or retail salesman. — How he differs from his brother on the road. — His opportunities, and how he may improve them 44

THE TRAVELING SALESMAN

What he is. — What he does. — How he does it. — His chances of getting ahead, of becoming a manager, or partner, or officer in the business. — The hardships of being constantly on the move 56

SATISFYING THE CUSTOMER

The customer's side of the sale. — His pre-eminent rights and those he will assume anyway. — The selling necessity of catering to him, if you would do business 70

APPROACHING THE CUSTOMER

The great commercial and selling value of creating a good first impression. — Salesmen are often judged by the way they appear at the initial meeting . . . 77

FORCING A SALE

Page

The danger of using force and coercion. — When they may be used and how to use them. — The difference between force and suggestion 82

EMPLOYER AND EMPLOYEE

Their relation to each other. — Success is dependent upon a getting together. — They should be friends and co-workers 85

WORKING FOR YOURSELF

No matter how menial your position may be, you are primarily working for yourself; and the more you work for yourself, the more you work for your employer 92

ANTAGONIZING THE CUSTOMER

Something always to be carefully and persistently avoided. — The antagonistical salesman cannot possibly succeed. — Keep on good terms with your customer at any reasonable cost 97

GETTING ACQUAINTED WITH THE CUSTOMER

Business acquaintanceship and friendship. — Learn about your customer, that you may handle him to better mutual advantage, and be able to hold him permanently 103

PERSONAL APPEARANCE

The public-seeing side of the salesman. — His dress and the care of his person. — Hints and suggestions of selling value 108

GOOD NATURE IN SELLING

Page

A most essential requisite. — The place it occupies on the stage of successful business. — Good nature stands for good sales 113

CONSERVATISM AND TAKING CHANCES

There is safety in the middle of the road. — Conservatism compared with liberalism, progressiveness, and taking chances. — The right and profitable mixture of both 117

RESPECT YOUR EMPLOYER

The place occupied by the man you work for. — His importance and necessity. — The salesman's relation to his employer, the one under command, the other in command. — The respect rightly due to the man at the business head 121

DOING WHAT YOU DO NOT HAVE TO DO

The one thing that puts you above the men of ordinary attainment. — Almost anybody can do what he is told to do. — The commanders of business spring from those who are not satisfied with being simply faithful to demanded duty-doing 124

THE KNOCKER

The knocker and the fault-finder never succeed. — The knocking salesman cannot sell goods to advantage. — He is out of tune with business principles. — The difference between knocking and proper dissatisfaction 127

TELLING THE TRUTH

Page

Truth and honesty are profitable commercial and selling commodities. — The danger of misrepresentation. — Honesty is the best selling policy 131

MODESTY IN SELLING

Genuine and false modesty, reticence, and fear. — Their effect in selling goods. — Modesty as compared with self-respect. — The proper estimate of oneself 137

COURTESY AND POLITENESS

Their vital importance in the consummation of trade. — Without them the selling of goods is impossible. — Two great selling assets 140

STICK-TO-IT-IVENESS

The necessity of keeping everlastingly at it. — The essentiality of persistency. — The value of continuity. — Nothing sticks to the man who does not stick 147

ORIGINALITY IN SELLING

The good and the bad of it. — How to use it to selling advantage. — The dangers attending its indiscriminating use 153

ADVISING THE CUSTOMER

The selling value of acceptable advice and suggestion. — How to profitably advise the customer. — The kind of advice he will gladly accept. — How to help him to mutual advantage 157

BEING AFRAID OF YOURSELF

Page

A chapter directed to the salesman who does not possess sufficient self-reliance, who seems to be under the whip of fear, and who does not present himself and his goods with confidence in either 162

YOUR COMPETITORS

Speak well of your competitors. — To do otherwise is to advertise them, to give the customer the suspicion that you are afraid of them, that they have better goods than those you carry. — There is room for all of you. — Help one another 165

IRRITABILITY IN SELLING

It is sure to work injury, especially to the seller of the goods. — Probably you can get rid of most of it if you make up your mind to do so 167

PERSONAL HABITS

The private life of the salesman. — The dangers of dissipation in business and out of it. — The selling advantage of living a clean and normal life 172

TAKING AN INTEREST IN YOUR WORK

It is absolutely essential that you take and keep an active interest in your work, no matter how menial it may be. — There is no other way to succeed in selling goods 175

TREATING THE CUSTOMER

Page

The common, and somewhat over-done, custom of treating the customer. — When to do it and when not to do it 179

INDEPENDENCE IN SELLING

Real independence and its money-making value. — The kind of independence which antagonizes and prevents the sale. — The profitable mixture of independence and dependence 182

SELF-CONFIDENCE IN SELLING

The quality of being reasonably sure of yourself and of the goods you sell. — If you are wholly without it, you have no right to remain in the selling line . . 187

STUDYING OTHERS' METHODS

Do not depend wholly upon yourself. — Study the methods successfully used by others. — Learn to learn from others. — Become familiar with what others are doing 191

INDIVIDUALITY IN SELLING

The selling value of individuality and personality. — The salesman of individuality has an advantage over the man of too much conventionality 197

PUNCTUALITY IN BUSINESS

The selling necessity of always being on time. — The on-time man may waste a minute. — The behind-time man may lose a day. — Promptness is a leading business asset 201

THE VOICE IN SELLING

Page

Little selling is possible without the constant use of the voice. — Its tone and quality are of great importance. — The training of the voice 204

WHAT TO DO OUTSIDE OF BUSINESS

Some of the things that one should do outside of working hours for his own sake and for the sake of business. — Doing nothing save business-doing is conducive to business failure 206

WHAT TO READ

What one may read to advantage to his business and to his own personal improvement. — The book and the periodical, including the daily newspaper, are business as well as social necessities 212

WIT AND HUMOR IN SELLING

Genuine wit and clean-cut humor. — The dangerous imitation. — How to use them to advantage in selling goods, and how to avoid their over-use and the places where they are not conducive to good selling policy 217

RECREATION AND EXERCISE

Rest, recreation, diversion, and exercise as parts of right living and good business-doing. — When and how to play for the benefit of yourself and your business 220

CANVASSERS AND BOOK AGENTS

Page

House-to-house sellers. — The opportunities offered them. — The trials and tribulations attending this class of sales-people 226

THE ACADEMIC EDUCATION OF THE SALESMAN

The pre-education of the seller of goods. — His necessary schooling. — The high school, the technical institution, the college, and others. — What he should know academically or technically before entering the selling side of business 231

THE VOICE OF SELLING EXPERIENCE

Specially written articles by twenty-nine leading salesmen, sales-managers, and prominent commercial men commanding large business outputs. — Each article presents the long and personal experience of the writer, and altogether they give a composite picture of selling fact and opinion. — A list of these collaborators is given on the following page 240

INDEX 315

LIST OF COLLABORATORS

ALPHABETICALLY ARRANGED

Page

JOHN R. AINSLEY & Co., BOSTON. By John R. Ainsley, head of the firm 241

C. A. BROWNING & Co., BOSTON. By Fred L. Howard, member of the firm; President, Boston Credit Men's Association 242

BROWNING, KING & Co., NEW YORK CITY. By Frank E. Hill, Manager 246

W. ATLEE BURPEE & Co., PHILADELPHIA. By W. Atlee Burpee, head of the firm 248

SAMUEL CABOT, INC., BOSTON. By March G. Bennett, General Manager 251

COBB, BATES & YERXA Co., BOSTON. By Herbert M. Seaver, salesman 253

COLLIER'S WEEKLY, NEW YORK CITY. By James G. Berrien, New England Manager 254

DECATUR & HOPKINS Co., BOSTON. By Austin H. Decatur, President 258

FARLEY, HARVEY & Co., BOSTON. By Fred H. Tucker, member of the firm 260

GEORGE FROST Co., BOSTON. By Emile Pickhardt, Sales-Manager 262

GOODHUE, STUDLEY & EMERY, BOSTON. By Allan C. Emery, member of the firm 265

ISAAC HAMBURGER & SONS, BALTIMORE. By Albert Berrey, Chief Sales-Manager 267

HAMILTON, BROWN SHOE Co., ST. LOUIS. By Thomas S. Hall, Sales-Manager 269

JORDAN, MARSH Co., BOSTON. By W. A. Hawkins, Superintendent, and Della B. Bean, Principal of the School of Salesmanship 271–274

Page

FRANCIS H. LEGGETT & Co., New York City. By John C. Juhring, President 278
MENIHAN Co., ROCHESTER. By J. William Naylor, travelling salesman; President, The Shoe Travelers' Association, Chicago 279
MICHIGAN STOVE Co., DETROIT. By George H. Barbour, Vice-President and General Manager 281
HENRY F. MILLER & SONS Co., BOSTON. By Chandler W. Smith, Manager, Wholesale Department 284
O'SULLIVAN RUBBER HEEL Co., LOWELL. By Humphrey O'Sullivan, Treasurer; Proprietor, Merrimack Clothing Co., Lowell 287
PARRY AUTO Co., INDIANAPOLIS. By David M. Parry, President; Ex-President of The National Association of Manufacturers of the United States and The Carriage Builders' National Association 289
POPE MANUFACTURING Co., HARTFORD. By Edward W. Pope, Ex-Treasurer 291
JOHN H. PRAY & SONS Co., BOSTON. By Frank S. Chick, Vice-President 293
PRUDENTIAL INSURANCE COMPANY OF AMERICA, NEWARK. By Robert J. Mix, Manager, Ordinary Department, New York City office 294
SELFRIDGE & Co., LONDON, ENGLAND. By P. A. Best, Manager 297
A. SHUMAN & Co., BOSTON. By R. A. Walker, Sales-Manager 303
JOHN WANAMAKER, NEW YORK CITY. By P. V. Bunn, Manager, Mail Order Service Department 305
WARREN BROTHERS Co., BOSTON. By George C. Warren, President 308
L. E. WATERMAN Co., NEW YORK CITY. By F. P. Seymour, Sales-Manager 313

PRACTICAL SALESMANSHIP

WHAT IS SALESMANSHIP?

THE salesman was born at the birth of trade. Business-doing of every kind appears to be impossible without the intervention of salesmen or of some personal action which stands for salesmanship.

The customer, whether he be the jobber, the distributer, the retailer, the peddler, or the consumer, may know what he wants, and he may be aware also that he cannot live or do business without buying something of somebody. But for some reason, or, rather, from what would ethically and scientifically appear to be lack of reason, he may not order the goods or supplies, or he may buy less of them, unless somebody solicits his trade and tells him what to do, or forces him to do, what necessity and common sense make necessary for living or for doing business.

Theoretically it would appear to be an unnatural condition of business, which makes it necessary for the buyer to be told what he should buy, rather than to do it of his own volition. But whether this be so or not, this condition has always existed, still maintains, and will continue to be, until civilization passes further up the road to perfection, when selling will be done by

waiters and not by coaxers of trade. When this time arrives, a large part of the machinery of business will be unnecessary, and the strain of trade reduced to the minimum.

But to-day, with or without reason, the selling of practically everything, from goods on the counter to steamships and locomotives, is a direct or indirect result of solicitation, either by personal application or by the silent salesman known as advertising, and generally by the use of both.

For the present, the solicitor, drummer, or salesman is one of the foundation stones of commercialism, without which it appears impossible to build and maintain the business structure.

There are many definitions of salesmanship. Here is one:

Salesmanship is a personal face-to-face action or effort on the part of an individual which is intended to bring about the sale of the goods for sale.

And here is another:

More broadly speaking, salesmanship is the art of selling something to somebody, and everything which contributes to the consummation of this exchange is necessarily a part of salesmanship.

Salesmanship differs from demonstration in that the latter may not include the former, and it is like demonstration because good salesmanship usually includes some form of demonstration.

Considered wholly from a commercial point of view,

salesmanship consists of personal solicitation, the salesman and the customer meeting face to face. In this book I am so considering it, and am not attempting to bring into the argument any kind of selling action beyond face-to-face solicitation and those things directly pertaining to it.

Salesmanship is not unlike the plea of the lawyer before the court or the jury. Both contain arguments; and, in both cases, the presentator, either of arguments or of goods or of both, is attempting to make the party addressed do what he asks him to do.

On the one hand there is something for sale, whether it be a life insurance policy, an automobile, a suit of clothes, or a barrel of potatoes. The owner of what is for sale, or his representative, desires to get rid of what he has, to transfer it or sell it to somebody who wants it or can be made to want it.

To do this, he employs every method which will in any way influence the buyer, including printed matter, advertising, well-arranged warerooms, handsome office fittings, and, most important of all, a proper presentation of the thing for sale by an individual commercially known as a salesman, who adds personality and voice to the selling argument.

The salesman exists for two reasons: first, custom; secondly, because it is obvious that even the best informed buyer cannot know everything, and the well-posted salesman is in a position to give him information about the article for sale.

There is opportunity for a discussion man-to-man, and for the presentation of argument; and this information and these arguments cannot be given with any degree of fullness by the printed page or advertisement. Or, if they could be, they would not even then take the place of personal information-giving and custom-made argument.

Salesmanship cannot be analyzed with chemical or other exactness. To define it, to separate it into its component parts, would be as difficult as it would be to analyze ability and to tell what it consists of.

Yet we all know what salesmanship is, and we are able to measure the results of its qualities and quantities.

The art of salesmanship includes several fundamental elements, phases, or parts, which, consolidated, make a salesman. These I have considered in chapters by themselves. I will, however, briefly and collectively discuss them here.

The first-class salesman, whether he is behind the counter, on the floor, or on the road, whether he peddles books or sells furniture, is proficient along the following lines:

First, he knows his goods. No seller of goods, who is unfamiliar with them, can sell them to full advantage. I know of a few expert salesmen who have closed large deals without an intimate knowledge of the goods they sell, and I know of two or three men, in particular, drawing or earning large salaries as salesmen, who are woefully, and almost criminally, ignorant of their

wares, yet are able to consummate larger sales than ninety per cent of thoroughly posted salesmen. These men are natural geniuses, pre-eminent traders, who seem to be able to sell anything at any time to anybody.

Secondly, the ability to describe or talk the goods. Many a man with an intimate knowledge in the premises, one both technical and broad, fails because he does not know how to talk. It is obvious that all the knowledge in the world is worthless unless it is distributed. The man of knowledge, and not of tongue or of pen, is about as badly off in business as would be the man of voice only, with nothing back of it. The commercial value of what we know is dependent upon our distribution or use of it. If we do not know how to talk our wares, we cannot readily sell, and we have no right to be members of the selling craft.

Thirdly, a general knowledge of business principles. There are salesmen who can only sell goods, possessing no real business ability beyond that of selling. Some of them succeed moderately, but few of them become great salesmen. I am convinced that a general knowledge of business, or some ability to manipulate business, is essential to good salesmanship or to best salesmanship.

Fourthly, a working familiarity with the business methods and action of one's competitors. To successfully and continuously consummate trade, and to be able to overcome expected and unexpected obstacles, one must not be unfamiliar with the methods used by those in the same line of business.

Fifthly, the ability to talk something besides "shop." To do this requires a knowledge of things in general. Practically all successful salesmen are reservoirs of general information about business and of matters outside of business; and this information, always ready for immediate delivery, permits them to be both agreeable and profitable to their customers. It materially assists in making a good impression.

Sixthly, the ability to diagnose the customer, or, in the language of the street, "to size-up the other fellow." Unless one is able to do this, to some degree, at least, he cannot hope to be more than a mediocre success, on the road or behind the counter; and he stands as little chance of winning the battle of trade as does the commanding officer of an army who meets his enemy without a knowledge of its strength or proportions.

While the ability to judge men and customers, to diagnose and to size-up, is the one thing which stands between the great salesman and one of ordinary capacity, I am not willing to say that diagnosing is the most important element of all. It is a necessary one, and no one can succeed without some of it. Those who possess it to a marked degree belong to the upper grade of the upper class, and those who have little of it are pretty close to the bottom.

Seventhly, good-nature. Comparatively few morose, over-dignified, cold, and chilly salesmen have amounted to anything. It is possible for them to sell goods when the buyer is as anxious to buy as the seller is to sell,

but they are practically worthless at the initiative, and are seldom able to obtain or to hold any trade worth having. Some managers look upon good-nature as the most important requirement of all. Whether it is or not, it is a fact that without it great success is impossible.

Eighthly, that ability to play a double part, to interest and benefit the customer while being thoroughly faithful and profitable to the house one represents. Salesmen holding permanent trade never forget the customer's interest, and yet they always work for the benefit of their own house.

Unless a salesman is both pleasing and profitable to the customer, he will not continue to do business, nor will he be permitted to hold his position if his sales are not profitable to the house he represents.

Of course, there are many other elements which contribute mightily to salesmanship, such as persistency, faithfulness, promptness, and the like, without which one may not hope to succeed at anything. These I have attempted to cover in other chapters.

Which is the most important of the eight points of selling? The answer is of little moment. The proficient salesman possesses them all, not in their fullness or perfection, because that is impossible. Most salesmen are strong in one direction and weak in others. They have not selling balance. All of these attainments play leading parts on the stage of salesmanship, and their relative positions are of little consequence. They do not compete with one another.

The successful salesman is a natural trader. He is fond of selling. He likes to meet competition, and loves to overcome obstacles. He is a fighter, a strategist.

Without this natural ability, more than ordinary success is impossible. Nobody can make of himself what he is not. The power of self-creation does not exist. If one possesses no trading capacity, he can never sell many goods to anybody anywhere. But even a little ability may be developed into what amounts to about the same as much ability. On the other hand, great natural capacity is worth little unless trained by experience and persistency, that everlasting stick-to-it-iveness which turns failure into success.

Ordinary selling ability can undoubtedly be developed and trained sufficiently to make its possessor reasonably successful upon the road or behind the counter.

Goods seldom sell themselves. They have to be personally and satisfactorily presented. Nearly all of them are in duplicate. The purchaser can usually obtain the same thing at the same price somewhere else. Competition is confined partly to the reputation of the house and to the ability of the salesman, and not altogether to the quality of the goods offered for sale.

The individuality and personality of the salesman, who for the time being is the firm itself, — his ability and perseverance, — are really the principal factors in the consummation of trade, assuming, of course, that

the reputation of the firm is high and the goods of acceptable quality.

Would I advise one to become a salesman who could not meet all of these requirements? Yes, if he was not altogether inefficient, and had confidence and a willingness to put his shoulder to the business wheel and to PUSH. Few of us may hope to reach the flush of success. It then becomes our duty to take up the thing we can do the best, however poorly that may be.

One may succeed in a moderate way at selling goods, or in any other line, without being properly balanced. If he be deficient to a marked degree in many of the things which go to make good salesmanship, there is probably some other field of endeavor which better suits his capacity.

The top of salesmanship has never been fully occupied, and there will always be room at the top. Comparatively few ever reach it. There are many grades below the top, and all of them, except the lowest, offer a living, and often a good living.

If you like to sell goods, and you possess some ability in that direction, there is no reason why you should not become a salesman, unless there is something which you like as well or better and can do as well or better.

THE PSYCHOLOGY OF SELLING

THERE is a psychological or an inner scientific reason for every action, for everything which contributes to every movement of every kind, even to thought itself. Nothing exists without a source, a creative beginning; and everything is subject to some law, known, partly known, unknown, or mysterious.

I do not propose to enter the depths of psychology, because this science, — which, by many, is looked upon as the coming scientific basis of all science, — is yet an only slightly solved riddle; and much of what is known of it should not be presented, unless clothed in the garb of purely scientific term and analysis.

We know that it exists and has definite and immutable laws; yet we have not been able to deeply analyze it or to separate it into all of its component parts.

The time will come, however, when this fundamental science will be universally studied, and the good of its secrets will be known and usable by the people at large.

To-day, psychology is a growing science. It is still in its cradle, and has not learned to walk save with faltering steps. We are still in the psychological foothills, but sufficiently advanced to at least attempt to analyze it with hope of being able to apply it somewhat to the important movements of life, including business-doing.

Opposed to psychology, to the theoretical, and to scientific reason, is what is known as "common practice," which, for the time being, may occupy a more important place, or, rather, seem to do so, in active life.

Until we become civilized, and have our minds under accurate command, we shall be unable to fully apply the inner virtues of any science or art, and will, to an extent, depend upon results or what seem to be results; and, if they are satisfactory or appear to be, we shall be likely to work backwards instead of forwards, allowing results to steer us, if they are apparently satisfactory.

Let me give a concrete, and yet humble, example of practice out-generaling science, of result pre-empting scientific reason.

Some years ago, an inventive genius constructed what is known as a double-runner. This contrivance consisted of two sleds, fastened to a board, the forward one being on a pivot and capable of being steered by a wheel, ropes, or by out-riggers, held by the man in front.

This inventor applied science to the making of an almost perfect coasting machine. The runners were double-shod and absolutely true. Between the forward end of the board and the steering sled were roller-bearings, and the whole was steered with a wheel. There were no ball-bearings in those days. Everything was balanced to the equipoise of successful nicety. A better and more scientifically constructed coaster had never been produced.

The inventor, proud of his creation, offered to race any double-runner of any size or kind. A hill was selected. Thousands watched the contest, which resulted in the defeat of this marvelously constructed racing machine.

A man weighing two hundred pounds, who did not know anything about science, fastened two big sleds to a long and heavy plank, without making any effort towards trueness or accuracy. The whole affair was crude and out of adjustment, but it weighed twice as much as the scientifically-made double-runner; the owner weighed fifty pounds more than the inventor, and he put twenty fat men on board.

Weight won the victory over science. The clumsy machine greatly out-distanced the one built upon scientific lines.

Had this contest occurred in a vacuum, or had both the double-runners been of equal weight, including the passengers, science would have been in the van. Instead of this, the "weight of practice," opposed to theory and science, came in ahead.

This condition, for the present, somewhat applies to our imperfect way of doing things, and true science and high art do not always occupy the front row; but, sooner or later, real science and art, including an understanding of psychology, will enable truth to win in every contest, and brute-force will play no part on the stage of life.

This present condition, however, gives no excuse for

not attempting to understand the science of every-day things and of business, although we cannot fully comprehend them; nor should we object to digging deep into science and to applying it up to the reach of our intelligence.

The selling proposition, briefly, is as follows: The salesman has something to sell, and it is his duty to get somebody to buy it. It is a battle of quality of goods and quality of salesmen with the buyer who is the opposing or objecting force.

These two conditions, or men, meet face to face, the salesman finding it necessary to take the initiative, to fire the first shot, so to speak; the other side, the buyer, having the pre-eminent right to remain passive, or to act on the defensive, or to allow the selling-shot to take effect.

Pure civilization, and the higher ethics of life, would probably refuse to recognize the art of salesmanship, and would not consider it a part of life's economics or necessity. It would require that the salesman, instead of expending ninety per cent of his energy, that he might consummate trade by the use of every kind of pressure, should become a demonstrator, an expert, a talking lexicon, a source of information, that the buyer may use him for what he knows, not for what he can do. The buyer, then, would come to the goods, and the salesman would deliver a lecture upon them and answer questions. Beyond this salesmanship would not go.

Against this is present fact or conditions. Notwithstanding that every buyer knows that he must purchase, knows that he wants the goods that he buys, or should know it, he may not purchase anything, except necessities, unless under pressure.

Every salesman will tell you that from fifty to eighty-five per cent of his sales would not have occurred if it were not for the selling efforts he made. This statement must not be construed to mean that business would be reduced from fifty to eighty-five per cent, but the specific business coming to any one firm would be cut as stated if salesmen were not employed.

It is also a fact that, although the buyer would do a certain amount of purchasing anyway, the output of all goods, taking them as they run, would be very much less, — nobody knows how much less, — if salesmen were not generally employed.

There is something wrong and unnatural about this, but so long as it exists, it must be met.

The necessities of life are few. Custom, rather than necessity or refinement, is responsible for about seventy-five per cent of everything sold, except eatables. People buy partly because they want to excel somebody else or to have what others have.

For years simplicity has appeared to be almost a lost art. To-day we are doing double the business which any civilized nation would think of doing; and not only are we foolish in the purchase of useless luxuries, but we are making necessities of things which

can play no part in either economy or refinement and which have nothing to do with real progress.

But we must take things as they are, not as we would have them.

There are few goods which are not duplicated in quality and quantity. Few salesmen have anything which is exclusively their own. The sinking of any one house, or the annihilation of any one salesman, would hardly make a ripple on the sea of trade.

Why is it that one salesman succeeds where another fails, with identical goods, identical prices, and identical demand? Simply because one salesman has a certain faculty of presenting his wares and of subjecting the buyer to his personal influence.

If the purchaser were perfectly sane, and knew his business, the salesman would be unnecessary, and personality would not count for much in selling, for most of it could be done by mail or through demonstrators. But the present buyer is very human and does not see straight, any more than other people do. He is in a condition to be directed, and the salesman who succeeds understands how to direct others and how to make them do what, perhaps, they would not do if they were let alone.

I do not mean to say that the salesman absolutely controls the buyer, that he exercises what is falsely called a hypnotic influence over him, that in his hands the buyer is powerless and must do what the salesman tells him to do. Except in a few instances, no

salesman possesses this power in any degree of fullness; yet the good salesman has some of it, and is able by personality and argument to bring the buyer into a purchasing mood, to make him buy, then and there, when, perhaps, he would postpone the purchase or give the order to some other house.

There is another element which plays a mighty part in selling: the average buyer does not usually want to buy, or says he does not, or thinks he does not, — and usually he says he does not want to buy whatever his intention may be. The salesman, then, has before him a wall of opposition, even when the buyer has made up his mind to purchase. Not only must he present the right goods and the right prices, but he must possess that unanalyzable ability to make the buyer do what he may not voluntarily do or what he would postpone doing. This ability may be considered the fundamental bottom of good salesmanship under present conditions.

Even the woman in front of the counter, with her mind fully made up to purchase, may go to another store, or may decide to wait a day or two, if she and the salesman antagonize each other, or if she is not pleased with the salesman's manner or methods. And, further, a large proportion of retail purchasers may be made to buy more if the salesman understands how to sell. It is a fight, a battle of wits, the buyer starting in ahead of the game, the salesman to win in the end if he can. However much the buyer may

want to purchase, the salesman should want to sell him more than he wants to buy; and unless the salesman keeps this fact in mind, and realizes that it is more difficult to sell the customer than it is for the customer to buy of him, he will make only mediocre sales.

It is true that no one salesman can handle all customers with equal success. The customer has his preferences, and no one possesses all of the necessary qualifications.

The buyer may refuse to adapt himself to the seller. The seller must adapt himself to the buyer. The buyer will not take the initiative, as a rule. The salesman must always take it. The buyer will not advise the salesman or attempt to help him. The salesman must both advise and help the buyer. The buyer is always, or almost always, an opposing factor. He has a right to occupy this position, because he is paying out his money, while the salesman is taking it in.

It is a duel, the buyer occupying the preferred position and permitted to fire first.

The salesman, if he would be successful, must meet this opposition, bind up his wounds if he is hit, and proceed with his business.

It is believed by many that the fundamental basis or bottom of ability comes prenatally, and that success in any line is impossible unless one is born, so to speak, into the work.

I do not propose to minimize the value of inherited tendencies, or to claim that prenatal influences do not play a part in life; but I wish to state with all the earnestness in my power that inheritance is worth mighty little in any market unless the possessor of it does something to develop it and to adapt it to himself and to his conditions.

No man ever succeeded in anything, whether he had natural ability or not, who did not make an affort to use what Nature had given him.

Take the voice, for instance. It is probable that the great vocalist had nothing to do with the natural quality of his vocal organs, yet his success is due as much to the training of his voice as to the original quality of the voice itself.

There are natural salesmen, those who seem to be able to sell under all conditions; but these men did not reach superlative success without study, experiment, and experience.

There are those who have not any natural selling capacity. They can never become great on the road or behind the counter; but, if they try hard, and let no opportunity for improvement slip by them, it is quite likely that they can do fairly well in the selling side of business.

I cannot say, however, that I would advise one without much selling ability to attempt to become a salesman, unless he has reason to believe that he will do as well in that, however poorly he may do, as he

would be likely to do in something else. But the man who does not know how to sell, and really cannot learn after the most strenuous effort, who finds selling obnoxious, had better go into something else.

If your goods and prices are right and you do not succeed, there is something the matter with your natural ability or you have not properly developed or trained it. If you find the most careful training and the most earnest efforts do not avail, then you may properly decide that you do not possess that something necessary for successful salesmanship.

Remember that you cannot reconstruct the buyer, that he will continue to do as he pleases. If necessary, you must reconstruct yourself to meet him, or else fail. It is useless to find fault with the customer. You cannot reform him or make him over, but you may to some extent make yourself over, or, at any rate, so train your ability that it will be able to accomplish something and give you all the success your capacity entitles you to have. But, before you decide that salesmanship is objectionable, test yourself most carefully, because what you call inability may be sheer laziness.

Most people can sell goods if they make up their minds to do so, and many of them, even poor salesmen, can do better at selling than at anything else.

Fundamentally your success as a salesman does not wholly depend upon the house you work for, nor altogether upon the grade of the goods you sell, nor

entirely upon the demand for them; but in your ability to make people buy things, and to do it without apparently forcing them to do so.

While in the heat of selling, if you would be successful, you must be stronger than the buyer in front of you. Otherwise you will not consummate more than a few sales.

If you have this ability, you can train it into a great business asset. If you have not much of it, you can do something, provided you make up your mind to do it, and provided your common sense and judgment tell you that selling is the best thing for you to do.

WHAT SALESMANSHIP OFFERS

SALESMANSHIP is by many considered the most important part of business-doing. Whether it is or not, it appears to be absolutely indispensable. No business is done without the intervention of some sort of salesmanship, whether it consists of the soliciting letter or of the human solicitor.

There are four great divisions of business, subdivided as many times as you please: the man who makes something or superintends the making of it; the man who manages the business, finances it, creates and maintains its policy, but does no actual handwork; the man who attends to the purely clerical part of it; and the man who carries the goods to the customer and is present at the consummation of sales.

The maker of the goods, unless he be the proprietor, is not always adequately recognized, because he has little to do with the direct disposition of the output. Theoretically he is the most important of all, because he creates, but he can do his work without an initiative display of enterprise and without using strenuous methods.

The clerical worker or bookkeeper should be respected far more than he is, for without him business would be impossible. But as he does not directly

bring in the profits and is not on the firing line, he is not always able to present tangible evidence of his worth to the business. He is, to an extent, like the cook in the camp. He is responsible for good health, digestion, and even life, but the world seems to think more of the forager who goes out into the open and brings something back with him. The bookkeeper plants and does not harvest.

The salesman is directly concerned with the profit-getting of the concern. He is the profit-maker. He is in the limelight all of the time. What he does can be seen and measured. If he sells a certain bill of goods at a certain price he can place that transaction on the firm's blackboard, there to be seen and appreciated. He has brought in just so much measurable profit. Perhaps this business would have come anyway, but it is a fact, nevertheless, that it came through him. For this reason he is in a position to expect and to command promotion.

Every day he may have an opportunity to make a record for himself which can be written out in cold figures. Others may be doing more work, and really contributing more to the up-building of the business, but none of them can show daily records of success or failure. What they do, while it may be appreciated, cannot always be measured as can the product of salesmanship.

The salesman is the only one who continuously meets the great outside, whether he be behind the

counter or on the road. He, above all others, comes in contact with living and active conditions. He sees the world. He has constant opportunity to learn about men and things. He is forced to meet competition and opposition, not theoretically, but to come face to face with it.

His fighting qualities are marshaled into line. He stands and walks while he works, while others remain seated. He is in the active side of trade, the side which moves and does the things most seen. He is in the midst of experience, and cannot help absorbing it, unless he is a fool. He has a better opportunity, as business runs, than have the members of any other department of trade.

The fact that the majority of our merchant princes, and other men of business mark, have been salesmen, and rose from salesmanship to the command of business, indicates that the salesman has the best opportunity to reach the top round of the ladder.

It is true that great captains of industry have sprung from other than salesmen, but the vast majority of them sold goods. Many a bookkeeper has risen to the head of the firm, and the foreman of the repair shop may go to any height; but the majority of business men of success sold goods and earned their reputations by the quality of their salesmanship.

I am not depreciating the clerical or the manufacturing sides of business, because able men will succeed anyway, if given half an opportunity, but

there is probably more chance of success in the selling department than there is in any other for the man of activity, for the man who is willing to work, and for the man who is able to meet competition and opposition.

If one cares only for a quiet life, if he is not ambitious, if he is satisfied to let well enough alone, if he would rather float with the stream instead of struggling against it, he has no right to enter the selling side of business.

But if one is willing to both give and take, to both float and swim, and is strong enough not to be overcome with present disaster and with constant opposition, and if he enjoys the storms of life, winning or losing as may be his turn, but winning more often than losing, then salesmanship offers him more than he is likely to receive from any other department of trade, and will give him better opportunity to round himself out into the successful man of business.

KNOWING YOUR GOODS

ONE of the best salesmen in America, if one may reckon selling ability by the aggregate of profitable sales, knew next to nothing about the goods he sold, and yet he seemed to be able to handle any kind of a selling proposition, and he earned or received a salary of $10,000 a year. His ignorance was not concealed. In fact, he made no effort to cover it up; and, what is more remarkable, he sold goods of a technical character where more than ordinary knowledge would appear to be necessary.

His employers were men of national reputation as technical experts, and ninety per cent of his customers were intimately familiar with details; and yet this man, with hardly a superficial knowledge of his goods save price, was able to close deals which seemed impossible to other salesmen thoroughly familiar with every part of the business.

This man was a selling genius, a wonder, a remarkable exception. What he did not know about his goods, he knew about something else. He could diagnose his customer and play him like a chessman on the chessboard. He knew men and things. He was well-read and posted upon about everything except the goods he sold.

Why did he allow himself to be ignorant of the goods he handled, when a little effort on his part would have been sufficient to have made him familiar with all that pertained to them? There can be no acceptable answer. His ignorance was self-inflicted and without excuse or reason. Perhaps he never tried to reason it out.

Notwithstanding that he earned or received $10,000 a year, he was a monumental failure, one of the greatest that I ever met. He did not do his best, because he was too lazy to fully equip himself for the battle of trade. He simply used what Nature had given him, did as he pleased, and succeeded marvelously well if you compare his results with those of ordinary others, but not half so well as his natural ability permitted. Had he learned his business, he would not have been a salesman on $10,000 a year; he would have owned the business.

I know of other men who handle enormous sales, and yet they know little about their goods. But all of these men, like the first, are failures, because every one is a failure, no matter what his salary or income may be, if he does not do his best.

The clerk in the grocery store, who learns all he can, who tries all the time, who is ever on the lookout for opportunity, is a much greater success, and deserves more credit, than does the man who draws $10,000 a year and yet is capable of earning $20,000.

Success is the product of one's best. Anything

below that is failure. Some men succeed in spite of ignorance, of laziness, and of indifference; that is to say, they appear to succeed, yet every one of them is a failure.

No man is a success who runs amuck with principles, who refuses to accept axiomatic rules and regulations, who is under the domination of his own arrogance.

One of the great fundamental principles of selling is the essentiality of knowing the goods you sell, and there can be no real or good salesmanship without it, and there are no exceptions, although occasionally we see what appears to be an exception.

If you have decided to become a salesman, and have reason to believe that you can sell goods, the first thing for you to do is to learn about your goods, to know them from the ground up, and, further, you should be familiar with similar goods whether carried by your house or by other houses.

This knowledge of your goods, even to the lower technical side of them, is necessary whether you be behind the counter, or on the road, or travel from house to house.

All the magnetism in the world, the supreme power of diagnosis and superlative selling ability, will not enable you to do your best without a knowledge of the goods you sell.

But let it be understood that knowledge of the goods without anything else is worth about as little

as would be a barrel of oxygen to the chemist who wanted to make air and found it impossible to obtain nitrogen.

There are men, dismal failures at selling, who have the most intimate knowledge of their goods. This knowledge, with something else, rounds out the perfect salesman. By itself, like any other one thing, it is worth practically nothing.

How far should this knowledge go? To the bottom, I should say, even to the very creation of things which go to make the goods you sell.

If you are selling cotton goods, for instance, it would be well for you to know how cotton is planted and how it grows, its condition when it leaves the field and how it is turned into cloth.

Perhaps this knowledge may not seem to appear to be valuable, and it is quite probable that you may never directly use it; but this intimate familiarity with every part of the goods, beginning with Nature's work, like all fundamental matter, will enable you to better present your wares to your customer.

Buyers are naturally question-askers. Salesmen are logically answerers of questions. You never know when a question will be asked, and nothing pleases the customer better than to feel that the salesman before him is thoroughly posted, not only in selling, but in the making of the goods from the raw material.

So much do I believe in this that I honestly feel that a saleswoman selling hosiery can make more and

better sales if she can trace a pair of stockings to the very ground which produced the raw material, although she may never impart that knowledge to anybody.

Your knowledge should extend into the use of the goods. What is any particular thing good for? What will it do? What will it not do? How long will it last? Why is it better for the customer to purchase it than anything similar?

You should learn to appraise values, to know qualities, to be able to explain why a certain brand is better than another, to make profitable comparisons.

It is not only necessary to know about the goods you sell, but you should be familiar with all similar goods sold by your house or by other houses, all substitutes and things which may be substituted for them. You should be a storehouse of technical information for the customer to draw upon as he may elect.

I would not advise you to throw this information at your customer, to force it into him, to talk scientifically and technically on every occasion; but you should have it on tap, ready for immediate delivery, and you should carry it even though you may never directly use it in your selling.

Educators and others differ materially, but all of them consider that certain academic fundamentals are essential to the building up of general education, even though some of the so-called fundamentals may not be used directly; but they are considered necessary for the foundation of the education to come, and

without them the education that we are using from day to day would totter and fall.

These same principles apply to an intimate technical knowledge of the goods you sell, even though you may seldom impart the information. But if you have this knowledge, you are better able to distribute the other information which is generally wanted and which could not exist without the inner knowledge upon which it rests.

Upon general principles, the more you know about your goods, the more you know about how they are made and sold, even to climatic conditions, the more and better sales you can make.

But there is such a thing as over-doing it, of keeping too close to the bottom, of spending too much time upon the techniques, and becoming too letter-perfect. It is not necessary for you to know as much about the manufacture of the goods as does the superintendent of the factory, and you need not be as skilled in details as are the workmen at the bench or before the loom. A close familiarity with them, covering all generalities and a general knowledge of the details, is likely to be sufficient. It should be considered a necessary part of salesmanship, and you should not feel yourself fully equipped without it.

How can you obtain this knowledge? In many ways.

Practically every industry has its literature. Your employer has, or should have, a business library. If he has not, buy the books or get them from some library.

The trade-paper gives much information. Read it regularly. And if there is more than one trade-paper devoted to your line, read them all, the poor ones and the good ones, for the poorest paper may contain valuable clippings.

Interview your fellow-salesmen. Play a regular game of profitable conversation. Go to the heads of your department and of other similar departments. Become friendly with the superintendent or foreman of the factory. All of these men are glad to impart information. Nothing pleases a well-posted man better than to tell what he knows to the fellow who wants to know it.

Visit every part of the factory, if your concern maintains one. See everything made, and begin with the raw material. If you are working for a jobber or retail house, get a letter of introduction to the superintendent of a factory. He will gladly accommodate you, and think all the more of you for asking the privilege. Probably you will learn more at the factory than at any other place, so far as the quality of the goods is concerned, but do not stop with the factory.

Although things are very much alike, and there are few exclusive articles, everything has some specific character; and it is necessary for you to be able to locate this advantage or peculiarity and to talk understandingly about it.

Your business reading should not be confined to

the goods you sell, but should cover all similar products and business in general.

Next to the factory, the best information is likely to come from contact with other salesmen. Here you may learn by observation and questioning the methods of handling goods, not only those used by your firm, but those of others, and you should analyze the difference. Each salesman will have a new-to-you message of information.

A familiarity with transportation facilities will not come amiss.

A thorough knowledge of what you sell is a fundamental part of salesmanship, an asset which continuously comes into play and without which the fullness of result is impossible.

KNOWING SOMETHING BESIDES YOUR GOODS

THERE are recorded cases of men of marked and extraordinary achievement, who have succeeded in making money and in successfully managing vast enterprises, without being familiar with much of anything except with the goods which directly pertained to their specific business.

I have one man in mind, who was almost completely ignorant of everything outside the place of his work, and who could hardly read and write; yet he accumulated millions of dollars and obtained an international reputation as a money-getter.

I have met, and am more or less acquainted with, quite a number of men, all of them money-makers, all of them business successes, and yet they know little of the world at large, practically all of their knowledge being limited to the things which are directly a part of their business. Their houses are places to sleep in, and their magnificent dining-rooms to them are no better than quick-lunch counters. They do not even know how to sleep or eat properly. They care for neither literature nor art, nor even for pleasure. Dissipation does not attract them, not because of their moral character, but because they have not the time to spare for it.

These men are exceptions, and they have succeeded in spite of their ignorance. But none of them would think of attributing any of their achievements to their ignorance and lack of interest in things outside of their business.

On the other hand, many men give too much time to outside or general matters, to the sacrifice of business.

We cannot serve two masters, either in business or out of it. We cannot do two things equally well. We must have a principal interest, and to that we must devote the major part of our working time.

It is obvious that the astronomer would never have discovered a star if he had not given the bulk of his time to star-gazing; and it is as true that the salesman must devote more hours to his business than to things outside of it if he would succeed in selling goods.

This is an age of specialties and of specialists. Unless we know one thing better than all else, we shall never make more than mediocre success. Yet the value of our specific knowledge is dependent upon a reasonable amount of general information, which allows us to better accumulate and distribute specific knowledge.

A knowledge of things in general, a familiarity with affairs outside of one's specific work, not only enables its possessor to do better work and accomplish more in a business way, but it makes him a better man and a better citizen. Without a knowledge of some-

thing besides what pertains to his business, he would be a mere automatic worker and a social dummy.

The salesman, particularly, should be a storehouse of general information, that he may impart it to the customer who wants it or asks for it. Unless he be posted upon things in general, has a reasonable knowledge of the rudiments of the arts and sciences, of politics and of literature, and particularly of men and things, he will betray his ignorance to his own detriment, and will not be able to meet his customer except upon a merely trading basis.

I do not mean to say that the salesman should be a connoisseur of art, or of science, or of literature, — a walking cyclopedia of one thing or an encyclopedia of everything. He has not the time, and, if he had it, it would not be necessary for him to be a conversational expert and a general distributer of learning. But unless he can talk understandingly upon general subjects, and especially upon those which bear some relation to his business, he is at a great disadvantage.

The traveling salesmen meets active men of money, who have automobiles and motor-boats, horses and other hobbies. If he knows about the things his customers are interested in, he will be a hail-fellow well met, and can get much closer to them than would be possible if he were familiar only with his business.

The retail salesman meets people of every class, and, although he does not have the same opportunity for conversation and discussion as that presented to

his brother on the road, a general knowledge of general things is likely to come into play every day and several times a day.

One should certainly know something about the weather and how to intelligently prognosticate to-morrow's conditions. If the customer in front of the counter says: "I hope it will not rain to-morrow," and she probably has good reasons for her preference, she will think more of the salesman who gives her a reason why he thinks it will or will not rain, than of the one who says he does not know or says nothing. Even this little thing, the weather, is worth studying, and so is every other thing which becomes a part of the daily life of the customer, that the salesman may be able to reply intelligently, at least, and to answer any reasonable question with some degree of accuracy.

How can you find out about things outside of your business? Read all you can get hold of, and have the time for, about things of general interest. Enter into conversation with intelligent people of experience. Make it a point, when you talk with anybody, to introduce a subject which he is more familiar with than you are. Every one likes to talk about his hobby or to show his knowledge. Encourage him. It will do him good and do you good. It is a mutual exchange of satisfaction.

Become a persistent and consistent reader of books and periodicals containing general information, and, especially, those carrying matter which constantly

comes into your sphere of business and life. A little reading, even thirty minutes a day of it, if well selected, will cover a vast amount of ground. But above all play the game of intelligent conversation, always bringing up some subject of general interest, and make special effort to converse with well-posted and up-to-date men and women.

Attend lectures and talks. Join some organization outside of the business club. Information is in the air, and all you have to do is to collect it. It is free for the asking.

The reader is referred especially to the chapters, "What to Read" and "What to Do Outside of Business."

DIAGNOSING THE CUSTOMER

SALESMANSHIP is a battle on the field of business strife, the seller on the one side and the buyer on the other. Yet it may be a friendly fight, and there need be no bitterness in it; for, in the consummation of a good sale, both parties win. But it is a contest, nevertheless.

The proficient general never enters a battle, or orders his troops upon the field, without attempting to size-up the strength and character of the opposer. It is almost as necessary that he should know the power and character of the other side as it is to be familiar with his own forces and conditions.

The difference between an ordinary practicing physician and the specialist is largely in the power of diagnosis possessed by the latter. Every regular practitioner, the graduate of a medical school, is familiar with the science and practice of medicine; and almost any educated doctor, whether he be an expert or not, can effect a cure of a curable disease, if he knows what the matter is with the patient. But many a physician does not know when and where to use the treatments and medicines with which he is familiar. What would cure one may make another worse.

The so-called specialist or expert may not know any more about medicine than does the experienced family doctor, and may not, perhaps, be as familiar with general medicine as is the ordinary family physician, but he possesses the power of diagnosis. In most cases he can determine what the ailment or trouble is. Unprofessionally speaking, he sizes-up the patient, finds out what the matter is with him, and when he has reached this point, he is reasonably sure of curing him, if the disease be curable.

The successful salesman, like any other specialist, owes his more than ordinary success, not altogether to his knowledge of the goods and his ability to describe and present them, but, to a very considerable extent, to his ability to diagnose the buyer, to know the buyer, — his desires, his necessities, and his characteristics, including his hobbies, if he has any.

I think it is nearly as essential to know how to know the buyer as it is to know and describe the goods. At any rate, no one has succeeded in climbing beyond the second round of the ladder of salesmanship who has not possessed the ability to size-up and to diagnose the customer with some degree of accuracy.

Unless the salesman understands the buyer he is at a great disadvantage. Of course, he can obtain in many cases advance information about the man he expects to meet, and be prepared, therefore, to see him; but this advance information, coming from others, does not and cannot take the place of the

ability to personally size-up the customer and the situation, and to do it instantaneously if necessary.

Every one, buyers not excepted, has a personality, more or less hobbies and eccentricities. The ability to obtain a knowledge of them, either by inquiry or by intuition, gives the salesman an immense advantage.

Some sales-managers consider the power of diagnosis to be more poignant than any other factor in salesmanship, but I will not discuss its relative importance. So long as it is necessary to good salesmanship, and expert salesmanship is impossible without it, it may be considered at the head or at the foot, as you choose to place it.

Understanding or diagnosing the customer is that ability to feel as the customer feels, to get inside of the customer, so to speak, to see both sides at the same time, your side and his side. This cannot very well be taught, but a few suggestions may be of assistance.

Become a student of human nature. If this art does not come naturally to you, cultivate it to the best of your ability. Cultivation will make even barren soil somewhat fertile. Study every one who approaches you, whether he be a customer or not. Attempt to see every side of life and to be in sympathy with those you come in contact with, especially with those who are different from you. Discuss likes and dislikes with others, and human nature in general.

Consider every one you see as a type, and attempt to understand his characteristics. You will soon learn

that different people require different treatments, different methods of approach, different forms of arguments, that some will take kindly to strenuous methods, that others require positiveness or like hammer-blow arguments, while others have to be handled carefully and with the exercise of the greatest discretion.

Become acquainted with people, — the more the better. Experiment with them. Approach them in different ways. Talk to them along different lines. Do not have one form of argument, or one method of selling goods, at a sacrifice of all others. Do not be stagy. Be elastic and pliable. Of course, you should not outrage the general principles of salesmanship, but the same principles may be applied in different ways.

Especially associate with salesmen, traveling salesmen, and counter-men. Get hold of their ideas and study their methods, and consider every one you come in contact with as a customer, adapting yourself and your conversation to him. See what pleases him and what does not. Learn by experience what is acceptable to him and what is antagonistical. This you can do whether you are behind the counter or on the road, for in both places you meet representatives of every class.

Especially study faces. Learn to recognize at first sight, if you can, the nervous customer from the passive. Some folks enjoy a lot of talk and pleasantries, while others are matter-of-fact and will not tolerate other than straight talk.

You will not always strike it right, any more than

other specialists do, but a careful study of conditions should enable you to be more often right than wrong. You will discover that there are certain methods which are acceptable to practically every customer, and that there are others which must be used less frequently.

Avoid all unusual methods, or any display of the erratic or over-original, unless you are absolutely sure that they will appeal to your customer. Do not break over conventional forms unless you are reasonably certain that the customer will appreciate your originality and display of brilliancy. Keep in the beaten track until you are able to spread out. There is safety and some success in the middle of the road, although more than ordinary achievement is dependent upon being able to travel all over the road without losing your way.

In every town there are good salesmen, far more successful than the average. They possess something which contributes to their success and which the rank and file do not have. Get in contact with them and study them closely. Ask their advice, and remember that some people can do a thing which you cannot do, because they have greater personality, more force, and more ability. Therefore, it is not always safe to copy another's method unless you have his ability and resemble him generally.

Of course, you will be always under the risk of chance, for there is no sure method or any form or rule that is sure to win. But the more you study business and the conditions which surround it, the more you get into

close relations with them, the easier it will be for you to know men and things, and there will be a greater likelihood of meeting with success.

If you have any ability at all and are persistent, you will sooner or later learn how to somewhat diagnose the customer, particularly if you allow your failures to lead you to success. If you size-up a customer wrong and fail to make a sale, you have learned a valuable lesson, perhaps of more importance to you than if you had succeeded.

Remember that you must cater to the customer as you cannot compel him to bend to you. This being the case, there has been established a great law of salesmanship, which compels you, as the salesman, to learn to understand the customer, to anticipate his wants, that he may always welcome you, be glad to see you and to talk with you, whether or not he buys of you.

THE INSIDE SALESMAN

EXACT figures are impossible, but I think I may venture the statement that there are six times more men and women selling goods from behind the counter or inside the store than there are of those who travel on the road.

The inside salesman works exclusively indoors, and waits upon the customers who call at the store or place of business, and he does not go outside for trade. He takes what comes to him for the most part, although he can solicit on the outside by inviting people to come to him.

The fact that a proportion of inside sellers act as though they were waiters and not sellers of goods, and are, or appear to be, indifferent to building up a clientele of their own, and seem to be uninterested in their goods or their business, must not be taken as a reflection exclusively directed to inside sales-people, for this condition exists among salesmen on the road, although the traveling man, as he runs, is usually more aggressive and shows greater enterprise.

We are all children of circumstances and influenced by environment. Only a part of us do what we do not have to do, and the majority of sellers of goods, as of all other people, possess ordinary ability, and their

movements are often confined within the circle of conventionality.

Because the traveling man — the outside salesman — meets obstacles at every turn, and is obliged to take the initiative for the most part, he is, from force of circumstances, more aggressive, as a rule. If he were otherwise, he could not sell goods to any advantage. Environment and persistent conditions force him to exert himself. If he does not, he fails.

While, on the other hand, the inside man, whether or not he possesses a higher or a lower grade of ability, finds that he may make his living by waiting on people and by not always taking the initiative. Because he may do this, he is not forced, as the outside man is, to exert himself at all times.

Then, the inside man is directly under the discipline and orders of his superiors, and is quite apt to follow directions more or less blindly; while his outside brother, usually away from headquarters, must do a lot of self-thinking, and order and control himself to an extent which is not so necessary for the man directly in contact with his employer. This condition, much more than the individual ability or inability of the salesman, is largely responsible for the indifference shown by many inside sellers of goods.

I do not propose to compare the innate ability or the real character and ambition of either with the other. There are bright men and nonentities on both sides, men both of enterprise and of progressiveness and rep-

resentatives of the "don't-care" and "won't-work" classes. If there is less activity on the one side than on the other, it is because of conditions, largely imaginary ones.

Some inside sellers think that they do not have the same incentive or opportunity as that given to their outside colleagues. Assuming, for the sake of argument, that this be so, in some cases it does not furnish any good reason why the inside man should refuse to practice the initiative.

There is opportunity behind the counter and outside of the store. Opportunity is in the very air we breathe. It is everywhere, even in the poorest and most miserably conducted place of business where the employee may seem to be but a part of an automatically run business-getting machine.

But remember that opportunity never carries a torch. It travels by by-ways and along the side streets. It does not parade in the middle of the road. It makes no noise. No herald sounds its approach. It passes along in the quiet of the starless night. It makes little effort to meet anybody. It seldom extends its hand. It minds its own business. But it is ever ready to grasp the hand held out to it and to be a permanent guest in the house of progress.

I have heard of opportunity-less stores, where the sun of chance never shines. But I have never seen one, and I have never found any one who was willing to make affidavit that he had seen one. Even the store

of perpetual grind cannot help grinding out some opportunity.

Let the inside man particularly bear in mind that no work counts to anybody's credit, if it is done wholly because it has to be done. The work of success-making is that which is done voluntarily and not spurred to activity under the whip of business or necessity.

Men of more than ordinary success take the initiative, do their level best, because they want to, not because they have to. They do their duty, never shrink, and, what is more, they do more than their plain duty. Doing what we are told to do, and only that, accomplishes the minimum of result.

The inside salesman has one advantage over the traveling man in that he has less competition, and, further, because his customers come to him for the most part, and some of them will approach him if he makes no effort to attract their attention. This condition, unfortunately for the lazy and the indifferent, tends to breed inactivity, but it gives the progressive salesman a splendid opportunity to shine in decided contrast.

Because it is possible to make a living inside the store without being progressive, the man of action has all the more chance to show and to use what is in him. As a matter of fact, it takes a higher grade of character to be successful inside the store than it does to succeed on the road, because work done which does not have to be done always springs from the highest motives.

Because trade comes to the store, does not furnish any good reason why the inside man cannot use the progressiveness and tactics of the road. He has a fine opportunity to learn business, because he is close to the heart of it. He may become the head of a department, or even reach the position of superintendent, or gain an interest or a partnership.

If he would exert himself, as does the man on the road, the chances are that he would not remain behind the counter indefinitely, but would eventually become a manager of a part of the business.

He has his choice of sleeping or of working, of doing his best or of merely making a living.

He has another advantage, and that is that he can retain his position if he does fairly good work and attends to business. The store, by its advertising and enterprise, has furnished him with material to work upon. With half of the selling ability and effort made by the man on the road he can earn his living. And this, instead of keeping him back, should spur him on to greater effort.

Every salesman is watched. If he lags or loafs, no one takes any interest in him. He will simply be tolerated. If he shows enterprise, he is encouraged and recognized, perhaps not every time, but his proficiency is sure to pay in the end.

The dead-centers behind the counter exist because of lack of energy and of an unwillingness to do more than ordinary duty.

The inside man should learn his business, know all about the goods he sells, how they are made and where they come from, and he should be somewhat familiar with the goods outside of his department.

Further, he should learn business, — its principles, its ethics, and its actions. He should not be unfamiliar with the methods of other stores and with similar goods carried by them.

It would pay him to learn his goods from the ground up, to know how the material is grown or obtained, how it is manufactured, and what it is good for and is not good for.

He should read about his goods in books and in trade papers, that he may be known as the best-posted man in his department. This information will help him in many ways, not only with his employer, but with the customer, for the customer is looking for advice and takes kindly to expert suggestion.

He has an unusual opportunity to study human nature, for he meets all kinds of people. He sees them when they are happy and when they are sad. He can help them or hinder them.

One reason why many inside salesmen do not succeed is because they are perpetual fault-finders, kickers, and knockers. They look upon the dark, not the bright, side of their positions. They seem to think that they have no opportunity and that the man over them has no interest in them. They forget that the business man is in business for profit, that the salesman is a

part of his business army, that without him he cannot do business, and that, if he be a man of any business capacity, he cannot help recognizing faithful and progressive service.

It is idle to talk about favoritism and about being kept down, although this condition may occasionally exist. Business is business, and business plays no favorites, except with men who are deficient in business acumen.

The salesman may be an automatic seller, a sort of human slot-machine, if he will; or he can be a thinking, acting, doing man, if he prefers. If he thinks, studies, and throws the best of himself into his work, even the meanest employer is likely to promote him from selfish motives.

It is pretty difficult to keep a good man down, as good men run, although promotion does not seem to be always equitably distributed. While many of us do not get what we deserve, we are pretty sure not to receive what we do not deserve; and few so-called favorites stay there, if they get there, unless they are worthy of getting there.

The average inside salesman does not respect himself as he should. He does not realize that he is a working part of the great business machine, and not an insignificant cog in a brainless wheel.

Activity counts behind the counter and everywhere else.

If you are inside the store, help to make your depart-

ment the most attractive one there. If you do not have the goods, you have yourself. Do not be a mere seller, but a demonstrator and an exhibiter.

If you are not a fluent talker, learn to talk. You can improve in this direction, if you will. You can learn about your goods, and when you do, you will find that it is pretty easy to talk about things you know about.

If you are always on the alert, are well-posted, and interest fairly radiates from your face, some of your customers will speak well of you, and the superintendent is sure to notice you.

You cannot always satisfy the customer with the goods you sell, but you can, if you will, usually satisfy him with yourself. You are not responsible if the goods do not suit, but you are usually responsible if you do not suit. There may be something the matter with the goods, but do not let there be anything the matter with you.

Remember that you are between two factors or extremes, your employer who is anxious to have you sell goods, and your customer who usually can get along without him, you, or the goods, for he can buy elsewhere. To succeed you must stand between the two for the benefit of both.

Politeness behind the counter is indispensable. The more of it the better, and there is very little danger of your over-doing it. Treat your customer as you would a guest in your house. Radiate good-will and cordiality.

Be known as the customer's friend, the man it pays to trade with.

Do not look for promotion all the time or worry too much about recognition. If you do not get it, perhaps a part of the fault is yours; but you are pretty sure to get there if you deserve to, sooner or later.

There are a few concerns who do not give opportunity to their employees, who buy them on the market and treat them like cattle; but these concerns are few and far between, because it does not pay to be brutal or unfair. If you happen to be connected with one of these, get out; but be mighty sure of your ground before you make the move. Perhaps you imagine faults which do not exist.

Remember that the fellow who does not succeed in a small job never makes good in a big job. Doers of big things are always doers of small things.

No matter where you are, do your best for your own sake, even under the greatest handicaps.

If the man you work for represents the very superlative of meanness and unfairness, do not let that interfere with your own actions. You are primarily working for yourself, and you cannot throw all the responsibility upon your employer. Constant dissatisfaction and blaming the other fellow are responsible for many failures. Do not allow yourself to fool yourself.

Everywhere there is drudgery, and the blame is not located on either side exclusively. It is hard work behind the counter and everywhere else. Disappoint-

ments are of hourly occurrence. You must meet these obstacles or go out of business. Take an interest in your business or give it up.

Perhaps you are one of the great exceptions, and are working in a bargain basement, with a brutal man over you, and a hustling, jostling, cruel mob of customers after you. You are naturally tired, worried, discouraged, and, perhaps, sick. Your lot is a hard one, — a mighty hard one, — but lack of interest will not help you. Nothing in the world makes a hard job easier than to become interested even in the worst side of it.

When you are working for yourself, are faithful to your position, are doing your best even when on the rack of a bargain sale, the annoyances are not half so bad; and when you go home, tired though you may be, you have that restful, delightful satisfaction of feeling that you are true to yourself and true to your duty; and you will be ten times happier than you would be if you met unfairness with unfaithfulness and annoyances with lack of interest.

It is not the person you work for that counts the most. It is your work, and your work is you.

Above all, respect yourself and your position as much as you can, for it is you, not your employer, that you are working for, and you cannot be faithful to him, or faithful to yourself, or true to the better things of life, unless you enter your work, menial though it may be, with a respect for yourself and for the work you

do, always striving to do your best and with interest always alert, for these things, and these things alone, will give you peace of mind, reasonable happiness, and place you on the road to promotion.

You cannot, even under the most distressing circumstances, be wholly removed from opportunity, from a chance to better yourself. But this opportunity never comes to those not seeking for it. Promotion never reaches the idler behind the counter.

If you do your best, respecting yourself while you do it, you may, and probably will, better yourself; but if you do not, you have absolutely no chance of any kind of promotion.

If you have turned the half-hundred year mark, and are still behind the counter on a small salary, do not brood over it; do not limit your fault-finding to the man you work for; do not make a specialty of dissatisfaction.

The man who cannot get something out of anything — even the farmer on the rocky farm, who cannot coax unfertile soil to yield some kind of a harvest — is never going to get the most out of the most fertile ground and succeed under the most favorable conditions.

Make the most of the job you have, until you get a better one. Never find fault with your employer, without first examining yourself, that you may determine which is the more to blame.

Get hold of yourself. Remember that you are working for yourself. Change your tactics, if you can.

Become so interested in your business that you will get satisfaction from what you do, no matter what it is. Look upon the bright side of things.

Do not worry about the mistakes you have made, but rather think about correcting them. It is never too late to learn, and never too late to receive promotion. Make everything count, from the small things to the big ones.

The fault-finder is usually at fault.

The ship never came in to the loafer on the dock.

THE TRAVELING SALESMAN

PRACTICALLY all wholesale houses, jobbers, and distributers of every class of merchandise and of everything of every kind for sale, and manufacturers of everything which is sold, employ men and women, usually the former, to meet their trade and to sell goods outside of the place of business. These sellers are known as drummers, traveling salesmen, or traveling saleswomen.

Although practically every seller of goods to the trade employs inside salesmen, from seventy-five to ninety per cent of all sales, barring those of a few exceptional houses, are consummated outside of the place of business and through the intervention of the traveling men, who sell either by sample or by description, and most of them carry samples.

Theoretically the traveling salesman is not a business necessity, for it would seem to be obvious that the retail store-keeper, and other purchaser in trade, is, or should be, a trained buyer, who knows what he wants and when he wants it, and that he would purchase anyway, either by mail or by visiting the manufacturer or wholesaler.

But practically the reverse is true, comparatively few goods being sold by the impersonal introduction of samples and catalogues. Conditions rightly or wrongly require the presence of the traveling salesman and a

superabundance of personal solicitation. While this condition exists, and no change is in sight, the traveling man will continue to be a business-getting necessity.

The man on the road occupies a position of considerable importance. While the reputation of the house he represents, and the quality of the goods, go with him, his personality and ability come mightily into play, partly because he is representing his firm outside of its place of business, and, in most cases, he is the only one who comes in contact with the buyer.

It is obviously more difficult to sell goods away from the store or factory than it is on the premises. When trade comes to you, as it does if you are in a retail store or behind the counter, the customer to some extent takes the initiative. At any rate, his presence indicates that he is in a buying mood and is more likely to order something than not to at all. Under these conditions, a certain amount of trade will result irrespective of the ability of the salesman to handle the customer.

On the road it is different. The salesman must take the initiative. He cannot always know that his customer wants to buy or can be made to buy. True, he may, in some cases, make an appointment in advance of calling, but even then he is on the initiative side, and it requires more effort to take the initiative than it does to handle what comes to you.

The fact that one salesman can do a large business in a given territory, and that another connected with

the same concern cannot profitably handle it, the buying conditions remaining the same, is proof positive that the ability of the salesman to meet conditions, including opposition and competition, is a large factor in the consummation of trade.

But it is true, nevertheless, that a proportion, if not a large one, of failure to make good on the road occurs because the salesman does not use more than a small amount of his natural ability. He is indifferent or lazy. He does not post himself about his goods. He does not try to familiarize himself with the characteristics of his customer or with local conditions.

He approaches the customer hit or miss, tells his conventional story, and sometimes succeeds when he deserves to fail. He does not seem to care so long as he makes a few sales, yet he may have more than ordinary ability. Probably laziness, pure and simple, is the root of much of the trouble.

Trying, and trying hard, will lift many a man on to a plane higher than he supposed he could occupy when he started in to make the most of his ambition.

There are, of course, many men who cannot sell goods on the road. If they attempt to do so, they fail, and often miserably fail.

Selling ability, especially the quality which makes good on the road, cannot be created. If one has positive evidence that he cannot sell goods with any degree of success, he certainly should not make the attempt. If he is already on the road, and fails, no matter how

much effort he makes, and cannot seem to meet conditions after many and persistent trials, he had better consider some other vocation.

Nor would I advise one to become a traveling salesman who thoroughly dislikes selling or is not self-possessed. Some folks are born scared, and try as they do, they are too easily disconcerted to meet the vicissitudes which daily occur on the road.

The majority of great merchants have sold goods on the road, and most of them owe their present positions to their ability to sell under difficulties and to meet competition face to face.

But selling ability alone does not necessarily make a merchant.

Some good salesmen — men who are receiving high salaries — cannot command salesmen. They are able to sell goods themselves, but do not know how to direct others, nor do they seem to have general business ability. They remain salesmen, or if they do not, they fail.

The handling of business requires a different kind of ability than that necessary for salesmanship alone. Yet the ability to sell goods adds greatly to the making and success of the merchant; in fact, comparatively few men become great merchants unless a part of their experience includes the selling of goods. Proportionate figures are impossible, but I think that I may venture the statement that ninety per cent of our most successful merchants were at one time expert salesmen, and

that seventy-five per cent of that ninety per cent were able traveling salesmen.

An important part of business-doing is the direction of salesmen, and it is obvious that few men can successfully direct salesmen unless they are salesmen or have been. In the first place it is extremely difficult to obtain a knowledge of salesmanship without actual experience, and if one does not have it, he is not likely to command the respect of those under him.

Traveling salesmen are, as a rule, paid higher salaries than those received by inside salesmen. The majority of them receive a specific sum per week or month, and are allowed a reasonable amount for traveling expenses, which is supposed to cover everything except clothes and other personal items. The traveling salesman has, therefore, little board to pay. This is an advantage, if the man is without family, but does not count for so much to the married man with a family and home.

Some salesmen work entirely on commission, and pay their own traveling expenses; but the majority receive a specified salary and expenses.

Occasionally the salesman works upon both a salary and commission, or upon a guarantee.

It does not make much difference, because no salesman will hold his position if he does not make good, and a salary amounts to about the same as a commission, and a commission to about the same as a salary, except in exceptional cases.

Probably the best form is both a salary and a commission, or what is known as a drawing account against a commission, it being understood that the salesman may receive a specific amount whether or not his commissions meet it. This gives him a definite sum to rely upon so long as his sales are satisfactory. If they are not, he will lose his position eventually.

Life on the road is hard, except to the few who seem to enjoy it. Traveling is not easy, save for the tourist and pleasure seeker. The novelty soon wears off, and all hotels look alike and all food soon tastes the same. Traveling frequently means from one to six hotels a week, night journeys, indigestible food, long hours, and other annoyances, yet the man with the right stuff in him will make the best of these conditions, and they may not worry him if he attends to business.

So long as most of the sales are made on the road and the traveling salesman remains a necessity, the road will offer the best training for future success in the wholesale business, and the experience of traveling will continue to be necessary for the best rounding-out of profitable selling experience.

The traveling man has one advantage over the inside salesman. While the reputation of his house counts, his customers are to a greater extent his own, and he may have better opportunity to prove his worth to the concern he works for. This means promotion, and may lead to partnership.

I am not depreciating the advantages of inside sales-

manship, because the inside man has more opportunities than he is supposed to possess.

I have attempted to treat the other side, — the retail salesman's side, — in a chapter by itself, and to bring out the advantages and opportunities which accrue to him. The positions are different, yet great men have sprung from both of these departments of salesmanship. It is quite difficult to compare these two great classes, and the casual reader may feel that the two chapters are somewhat contradictory. Perhaps they are in spots, for it is next to impossible to be absolutely fair when one is handling a difference depending so much upon similar, yet dissimilar, conditions, and when so much is dependent upon personality, individuality, and capacity.

If one has much selling ability, and enjoys good health, I would advise him to consider selling on the road, provided he has reason to feel that he will not be obliged to remain there forever. Every man has a right to a family and to home life. This he cannot have more than nominally if he remains a traveling salesman. True, he can be married and have children; but if he is away most of the time, he cannot feel that he has a local habitation and a name, and he will be unhappy unless he is of Bohemian spirit, in which case he should not have a family at home or abroad.

In these days of severe competition and the centralization of capital, it is not easy to obtain a partnership or to become more than a subordinate official. There-

fore, the man on the road, if successful, may sometimes find it difficult to get away from it or to obtain so good a position at the home office.

The opportunities for partnership, and for residential positions, may not be as good as they used to be. The strenuosity of business, growing greater every day, requires that many of the best men remain on the firing line. But this condition should not deter one from going on the road, if he is ambitious, for he may have a much better opportunity of eventually obtaining a good residential position, if he goes there and makes good, than if he only realizes an indifferent success inside the store or office. I am referring here to wholesale houses and not to retail establishments.

Under present conditions the experiences of the traveling salesman seem to be essential to the training for success in the active side of the wholesale business, notwithstanding that not a few men have risen to the top who have never sold goods outside of the store. One of my best friends — a leader in his line — has never been on the road, and does not recall that he ever sold a bill of goods inside the store or out of it, yet he is a marvel at directing salesmen. He is an exception, that is all. But think of what he probably would have accomplished had he had selling experience!

It is a common belief among some people that the traveling salesman is simply a drummer and little more, that his experience and knowledge are limited

largely to the purely selling side of business, and that he cares for and practices little else. As a matter of fact, the first-class traveling salesman is a representative of broad business ethics, and is usually familiar with business in general, although he practices selling almost exclusively.

Unless he is a drone, in which case he is not likely to remain on the road, he has an exceptional opportunity to come in close contact with every phase of business life. Every day, and sometimes every hour, he meets different kinds of men. He is traveling from house to house, and from town to town, and he cannot avoid becoming familiar, not only with men, but with local conditions. He may not be book-learned, but he cannot help being world-learned.

I think there is more diversity of characteristics in traveling men than in any other class of business-doers; yes, or any other class of men not excepting those in the professions. To succeed they have to be alert and up-to-the-times, really up-to-the-minute.

Folks in general, and even some of the craft themselves, are laboring under the delusion that every traveling man, in method and in practice, is not unlike his fellows. While successful drummers practice good selling principles, comparatively few of them are exactly alike in method, each one having his own ideas and following them, provided they do not outrage accepted principles.

I have in mind four very proficient sellers of goods

on the road, and they illustrate the tremendous difference between traveling men.

The first is the personification of dignity, seldom utters more than a short sentence at a time, has little sense of humor, never attempts to crack a joke, and has hardly a perceptible smile for any witticism, light talk, or humorous story. He is not particularly prepossessing, and his personality is not striking; yet he was, perhaps, the best salesman of his class on the road, and possessed so much business ability that he was taken into the firm at an early age.

The second salesman I have in mind is one of the jolliest and wittiest fellows I have ever met. He wears a perpetual smile. He laughs and jokes with his customers, and has a round of stories which seems to cover the whole wit and humor of the world. When selling goods, he intersperses his arguments with witticisms, — always good and clean ones. Buyers look forward, as a rule, with pleasure to his coming. He sells goods, and I have heard it said that he sold more than any other in his line.

I recall the third salesman, who combines dignity with wit and good-fellowship. He is a great success.

The fourth example is a man who fairly radiates self-conceit, and is positively objectionable to his customers; yet by sheer persistency and a full knowledge of his product he has achieved remarkable success. Of course, he is an exception. If he were genial, he would do double the business.

In the ranks of traveling men are classical scholars, socialists, and men of deep learning; and these attainments do not seem to interfere with their work.

Perhaps one reason why these men succeed is because they are natural, they act themselves, they present what they have in their own way; but I would not advise any young salesman to copy their methods unless he is the same kind of a man, nor would I suggest that a naturally morose man carry his morbidness with him if he can get rid of it or cover it up. But I would say to all traveling men, that as they cannot successfully be anything but what they are, they had better be as they are, subject to proper regulation, getting rid, if possible, of the objectionable, and intensifying the good that is in them.

When you go on the road, go on with all your might. Make up your mind to win, to be so engrossed with your business that the annoyances of travel will count but little to you. You have a fight to make, and your future depends upon your victories.

Do not go on the road until you know about the house you work for, — its reputation, its position in the trade; — and, further, be familiar with the character of every house in your line. You must know, not only about the goods you carry, but of those sold by others. Learn about your goods from the ground up. Know how they compare with other similar goods, and be familiar with the policies of every house of your kind.

Do not fail to read your trade paper regularly. When you meet other salesmen, swap experiences with them. You are a member of a great traveling school of business, from which there is no graduation, for you study on forever.

Be so familiar with your goods that you can advise the customer. Be so genial and generous that he will be glad to see you. The chances are that you will carry nothing better than what others do, and that the prices will be about the same. Your success depends upon your personality, your ability to satisfy your customer, not only with the goods you sell, but with yourself.

On one side is the house you represent, on the other the one you sell to. Unless you are honest and friendly with both, and faithful to both, — unless every trade you make is of mutual advantage to you and to the buyer, — you are not a continuous success.

Respect yourself, and be proud of your firm. If you cannot be, get out. Feel that your position is second to none, or will lead to it; that you are the firm itself; and that everything you do reflects upon it as well as upon you.

It is your duty, not only to sell goods, but to aid the firm you work for with advice and suggestions. You meet the trade face to face, while the heads of your house see it by mail or through their salesmen. Keep your firm posted on selling conditions. Be a scout as well as a seller of goods. Feel that you are a

part of the firm, not a mere representative of it; that the firm's success depends as much upon you as your success depends upon it.

While away from your house, you are to the buyer the firm itself, the man most in evidence; and the more that you feel this responsibility, the more that you realize that you are working for yourself as well as for your firm, the more goods you will sell and the quicker you will rise from the ranks of the commanded into a commanding position.

While on the road, you will have some time to yourself, evenings for the most part, and during this off-time you will be by yourself or can be if you choose. Most certainly I would not advise a man to become a hermit on the road, to go to his room and stay there between his selling efforts. All of us need social intercourse and some amusement and entertainment. Contact with other salesmen is necessary for social enjoyment and is a profitable proposition. Without effort one can in conversation swap experiences of great selling value.

But do not spend all of your time talking or in any one form of amusement. Take up systematic reading, always along the line of your choice, provided it is elevating.

(See the chapters "What to Read" and "What to Do Outside of Business.")

Just a word to the home-folks and to parents in general: Some good people object to sending their

boys on the road because of the real or imaginary temptations which are said to surround every one away from home.

Undoubtedly there are temptations, and every salesman is subjected to them, but the fellow who has not strength enough to resist temptation away from home is not likely to keep straight at home. The weakling is sure to fail morally, anyway, and the slightest temptation throws him down.

Temptation was put into this world for a purpose, — to be overcome and mastered. The bad man on the road would probably have been a bad man at home. Temptation is not limited to traveling.

No one should refuse to go on the road because of the temptations which will surround him. If he has the right stuff in him, he will come out ahead. If he has not, he will go under, maybe quicker on the road than at home; but if one is going to be a moral wreck anyway, perhaps the quicker he goes to pieces the better.

Temptation is a stone in the pavement of the road to success. If it were not there, we should coast through life, and few of us would take the pains to learn to walk.

SATISFYING THE CUSTOMER

THERE are two factors accompanying every trade of every kind. On the one side is the seller, who is more anxious to sell than the buyer is to buy. At any rate, the salesman must assume this position. Naturally he wants to make the sale as profitable as possible for himself if he be the principal, and for his employer if he be the employee.

Probably in some cases he would ask more than a fair price, if he thought he could obtain it, although this would be bad policy in the end, for the unwritten law of custom, more or less affiliated with equity, right, and justice, does not permit a continuous outrage of its principles, and will not watch over and protect indefinitely the house which insists upon receiving a more than reasonable profit.

The truth of the foregoing statement may be questioned by those who are suffering under the present high cost of living and who believe that the prices asked are exorbitant.

My sympathy is with these people, because I am well aware that some trusts and combinations are demanding and receiving more than a fair profit. But the reaction is setting in, and it is only a question of time before civilization will reach a plane high

enough to control, or, at least, regulate, the cost or price of necessities. But the majority of articles sold are placed upon the market at a fair price, and do not pay the seller an exorbitant profit.

On the other side is the customer, who may or may not need the goods, and who can get, in most cases, the same thing, or something as good or similar, at the same price, of somebody else. He is not dependent, as a rule, upon any one store or firm or upon any one salesman. He is not, or does not appear to be, as anxious to buy as is the seller anxious to sell. He is, to an extent, an autocrat. He has a right, or exercises what he considers a right, to object to the price and to the quality. He makes as strenuous an effort to keep prices down as does the seller to keep prices up. He may be as unfair as the most unfair maker or seller of goods.

Here are two opposing forces, both likely to be unreasonable at times, and both willing to some extent to get the better of the other, neither always realizing that good business cannot exist except where the trade is a mutual exchange, of as much benefit to one as to the other.

Whether or not it is right or wrong to ask more than the goods are worth has not yet become a business ethic, and it will be some time before all business will be conducted along purely ethical lines and controlled by moral as well as by legal laws. For awhile some sellers will attempt to get all they can, and an

equal number of buyers will make as great an effort to purchase below a fair price. The principal difference is that the seller wants to receive more than his goods are worth, and the buyer wants to get more than his money's worth. The salesman is between these two factors, each more or less unreasonable, each sometimes demanding more than its due, and the salesman must satisfy both or go out of business. In justice to his employer he must obtain the price decided upon, and convince the buyer that it is right. He must take the quality, character, and price of the goods given him and make the sale, usually against competition, both fair and unfair. He must follow the policy of the house he works for or sever his connection with it.

On the other hand, continuous success is impossible if he does not consider the customer, for it is just as important to please one as the other, as sales cannot continue to be made unless both sides are satisfied.

Any misrepresentation, which is to the disadvantage of the customer, will sooner or later react on the salesman and the house he works for. Regular customers are not fools. Unless they are usually satisfied, they will discontinue doing business with the salesman and his house.

The salesman must not only satisfy the customer in the quality of the goods and the price, but he must be satisfactory as a salesman; in fact, this personal equation is of the utmost importance, particularly

when selling goods in open competition where the only difference appears to be in the personality of the salesman.

The customer should be glad to see the salesman, and like to do business with him, otherwise some other house may get the business.

The policy of the selling house may not appeal favorably to the buyer. It then becomes necessary for the salesman to reconcile the buyer to that policy, and to do this he must bring into play all of his personality and the good-will of his character. He cannot change the policy, but he must be able to change the customer's opinion, or to so ingratiate himself with the customer that he will not rebel against what he would not put up with if he did not like the salesman.

The successful salesman studies the likes and dislikes, the characteristics and eccentricities, of his customer, that he may not antagonize him, and that he may the better satisfy him. Unless he can make his customer glad to see him, inspire confidence in him, and, in the long run, be of actual benefit to him, either in a business or a personal way, or in both, he will do little selling.

The fact that from fifty to eighty-five per cent of all goods are sold through the intervention of the salesman, coupled with the fact that most everything is in duplicate, including prices, indicates that there is something besides quality of goods and price necessary for the consummation of trade.

This something is vested in the salesman, — the ability to give something besides the goods and the price. He must create a business friendship, if one of no other kind, and this is where his personality comes in, his general knowledge of men and things, his geniality, his courtesy, and his ability to size-up the customer.

If he is continually thinking of the policy of his business, and of exclusive faithfulness to his employer, to the detriment of his customer's interest, he will fail. And he will make as great mistake if he forgets his employer's interest for the benefit of the customer.

To succeed, he must represent both sides, his employer's first and to the greater extent; but he must not be forgetful of his customer's rights and interests. He is an agent of both, — a profitable go-between.

The shrewd and designing salesman may work off undesirable goods, may over-load the customer to his loss and to the transient benefit of the seller. This may give present profit, but is suicidal in the end. It does not build up permanent business. It never pays to over-load a customer, — to make him buy what he cannot dispose of or use.

The over-loaded customer is dissatisfied with himself, with the man who sold him the goods, and with the goods themselves; and, if these goods have been forced upon him, he is rightly prejudiced against the salesman and the house he represents.

Some salesmen even go so far as to under-sell rather than over-sell. They think that the customer will be better satisfied if he has to reorder than if he has a few of the goods left over.

Many a salesman has advised the buyer to cut down the size of his order, where there is sure to be a sufficient quantity of the goods on hand for immediate delivery when wanted. I know of one very successful concern, which has built up the second largest business of its kind in the country on the policy of advising the customer to buy what he wants when he wants it, and is continuously cautioning him against over-stocking. This house invariably satisfies the customer. It will not sell a line of goods, except under compulsion, if it feels that the buyer cannot use them to advantage.

The best salesmen — the salesmen who have achieved fame on the road or behind the counter — are those who never sell a customer what they believe will not be to his advantage; and they never force more goods upon him than they believe he can easily dispose of or use. By always feeling and showing a genuine interest, the customer becomes a friend as well as a customer, and the salesman has a personal influence over him, which he has fairly earned. He satisfies the customer in quality of the goods, in price, in the salability of the goods, and in his own personality. He does not ask him to buy what he would not buy of the customer if they exchanged places.

The salesman who cannot see the customer's side, and who is unable to work in the mutual interest of the buyer and seller, is not a real salesman and cannot expect to succeed.

The salesman is the solicitor — he takes the initiative. It is, therefore, his duty to satisfy the customer.

It is obvious that the thoroughly successful buyer will treat the salesman with the same courtesy and consideration that he expects the salesman to give him. But the buyer may, to some extent, do as he pleases, and yet succeed; while the salesman, to succeed, must satisfy the customer, whether or not the customer is satisfactory to him, and he must cater to that customer, help him and guide him, and subordinate himself to him up to the point of not losing his self-respect.

The dissatisfied customer does not remain a customer.

APPROACHING THE CUSTOMER

THE intrinsic value of proper presentation or approach cannot be over-estimated.

A prominent real estate agent once said to me:

"If you want to sell a house to advantage, have the approach attractive, and the front hall especially so. This condition, properly met, gives the best initiative impression."

Theatrical managers, especially, appreciate this, for theaters have most attractive entrances and their lobbies are well furnished and inviting.

First impressions are of major importance. They produce a feeling of good-will and cordiality and engender a willingness to go further, to make inquiries or an examination.

The buyer, who is met by the road salesman, may be busy or irritable and have a tendency to turn everybody down. If the first impression or the approach is pleasing and does not antagonize him, the salesman is given an opportunity to present his goods.

The same condition applies to the man behind the counter. The customer selects, if he can do so conveniently, the salesman who impresses him the most. He may judge superficially, and first impressions are not

always based upon reason; but they are inevitable and are going to count in practically every case.

It is difficult to always make a good impression, or to approach the customer to his satisfaction, for no one can diagnose every one correctly, and cannot know just how to act at the start every time; but if his manner is pleasing a part of the battle is won.

The languid, "don't-care" look behind the counter has spoiled many a trade and has driven many a customer to another salesman or to another store.

The salesman should always wear an interested and pleasing look, and should show his willingness to sell and to assist the customer. This look and manner must be cultivated, if it is not natural; and, if natural, developed.

The first word, or the first few words, with the right facial expression accompanying them, may be responsible for the sale. The appearance of cordiality attracts the customer and puts him in the right frame of mind, giving the salesman opportunity to do his best and to accomplish the most.

Perhaps you have some mannerism, which is obnoxious to most people, and if you have it, very likely you do not know that you have it. Nothing irritates more than some mannerisms do. If you know that you have one, get rid of it. If you do not know, inquire. This point should especially interest the traveling salesman, for he, more than the counter-man, gets close to his customer.

Be alert. Show your interest in your face and manner. Let the customer know that you want his trade, not by appearing over-anxious for it, but by being thoroughly interested and ready to meet him more than halfway.

The appearance of too much cordiality or too much persistency may be injurious, but better have too much of either or both than too little of them. Better be over-cordial than indifferent, and over-persistent than the opposite.

Your whole personal appearance counts, from your necktie to your shoes. Your voice and manner are parts of salesmanship.

If you are behind the counter and have no customer, be on the lookout for one. Meet him with your eyes and your whole manner, and when he approaches you, be so cordial and so interested that you cannot help making a good impression.

Do not hand things out, show them. Do not turn your face away from the customer. Keep face to face with him as much as you can. Cultivate the smile that stays on; but do not grin or be supercilious, and never patronizing.

Be independent and self-respecting, but do not forget the customer is your superior for the time being.

If you do not know how to properly make a first impression, watch others; watch them, anyway. See how successful salesmen do. If you are in a retail store and have any time off, get close to successful salesmen as

much as possible. Watch and study their facial expressions, their manners, their voices, and their methods.

The customer, especially the retail buyer, is a sort of will o' the wisp. He goes and he comes. It is often necessary to nail him with a glance and hold him with a word.

As the first impression comes first, it is of first importance. It is the gateway to success in selling. Many a man of little selling ability has done well because of his manner, his cordiality, and his fervent interest in the customer.

It may be hard work to look happy and to dispense cordiality when your liver is out of order and your customer is not a gentleman. It is not easy to sell goods anyway, and I know of no easy business anywhere. If you feel all right, show it on your face and in your manner. If you do not, then act as though everything was going smoothly with you. Your customer cares nothing about your troubles, and you have no right to burden him with them.

The control of yourself, and the ability to radiate cordiality and good-will, are things which must be cultivated and maintained, if one would succeed at selling. It is necessary for you to have yourself under such control that you can immediately bring the best of you into your face and manner, that you may make a good impression at the start.

But do not forget that a good first impression is

worth mighty little if it fades. Good first impressions must be followed by good second impressions.

First sales are of great importance, and often difficult to obtain, but their value is dependent largely upon their continuance. It is the same with impressions.

A good start is pretty likely to lead to a good finish.

FORCING A SALE

FORCE, or coercion, or undue or over-pressure, must never be exercised, if one would make a permanent customer, except when the customer is vacillating or appears to be unable to decide for himself. But, even then, the salesman should use great caution, and should not apply force or use strenuous methods, if they will be apparent to the customer.

The salesman who earns permanent success usually appears to be, and is, working in the interest of the customer as well as of the house he represents, and is impressing upon him the great selling fact that the principle of correct business-doing is based upon reciprocity, — a desire to produce a mutual benefit.

Where the customer is vacillating, does not seem to have a mind of his own, and shows weakness and indecision, the salesman may be justified in using force, provided the customer will stand for it, and provided the salesman knows how to properly use it and to so disguise it that to the customer it appears to be earnestness rather than force, and friendly advice rather than coercion.

Many young salesmen, anxious to make a sale, crowd the customer; and, although they may succeed

at times, they are not likely to leave a good impression, and this operates against them, perhaps for years to come.

Do not misunderstand me, and do not think that I am opposed to strenuous methods, or a display of earnestness, even if they approach vehemency, because they are often necessary. But I would emphatically advise the salesman against crowding or driving the customer, against forcing him to do what he is sure to be sorry for afterwards. A forced sale, or a sale against the interest of the customer, even though the method used may not antagonize him at the time, is sure to have boomerangic effect.

The salesman must not only make a good first impression, but he must so handle the customer, and so sell him, that the favorable impression given will remain. Unless the trade satisfies the customer after the goods are delivered, the hard work done by the salesman is likely to be lost so far as subsequent sales are concerned.

The refusal to crowd, force, or coerce, in no way interferes with persistency and positiveness, both of which are necessary to the consummation of most sales, for the customer expects the salesman to be both persistent and positive and has little respect for the salesman who is not. But no customer worth having will stand crowding or coercion more than once, and may refuse to see the salesman when he calls the second time.

These principles apply to retail selling as well as to selling on the road.

Even the supercilious, vacillating, namby-pamby, retail buyer likes to feel that the goods were not forced upon him.

Once in a while force may be necessary, but when it is used it should be so covered up that it will not be recognized by the customer.

Assisting the customer, suggesting to him, helping him to make up his mind, is not in any sense forcing the customer. Many a buyer, especially one before the counter, does not know what he wants, and no sale is possible unless the salesman helps him out by advice and suggestion. To do this does not require any form of coercion, for it should be given in a friendly, interested way, so put that the customer will be really thankful for it, and go away without any feeling that the goods have been forced upon him.

EMPLOYER AND EMPLOYEE

THE doing of all business, and the management and action of all commercial affairs, from making the goods to the selling of them, require the services of two classes of workers, — the employer who during working hours is in command of the employee, and the employee who during the same time is under the direction of the employer.

This condition will exist as long as there is necessity for business accomplishment. Somebody must direct, and others must follow directions. Without the leader and the led, all work would be that of the mob, — disconnected, useless, and undistributed.

Quite naturally the unperfected state of business, and of all other present action, creates and maintains abuses. The employer is not always fair, nor is the employee. Often they are, without justification, antagonistical to each other, many an employer demanding more work than he pays for, and many an employee being unwilling to earn his pay.

This condition is due to our lack of development, which will continue to breed unfairness, extortion, laziness, and even cruelty.

I do not propose to discuss capital and labor, nor to dwell upon the abuses practiced by some employers and the unfairness of the business men who seem to

feel that they, as hirers of labor, are made of different stuff and feed upon different meat, when, perhaps, at the start, they were lower mentally and financially than some of the poor fellows who are unfortunate enough to work for them.

Until the Golden Rule becomes a part of our code of law, a proportion of employers will be unfair and unkind and even cruel to their employees, and will see things only through their own glasses, with charity towards none.

Unfortunate, indeed, is the worker who finds himself under the lash of these men. The only thing that he can do is to get out at the earliest possible moment.

I am addressing my remarks to the salesman's side of the question.

It is the employee's duty to do his work in a business-like way, to be honest and square, faithful and reliable, whether his employer be a good man or a bad man, a fair master or a tyrant. The employee is working for himself, no matter how low down he may be. It is his duty to be true to himself, and he cannot be if he is unfaithful to the man he works for.

All of us began in the ranks, and our promotion is dependent upon the services we render, — our faithfulness, our obedience, and the development of our ability.

A large part of so-called unfairness on the part of the employer, and much of the cause of dissatisfaction, are imaginary. The employer in his unfinished state,

for none of us are fully developed, sees the world from his personal viewpoint, and, unfortunately, not always from that of the employee. He should be fairer because he began as an employee, and has had better opportunity to see both sides; while the employee, on the other hand, cannot very well view conditions except from his own standpoint. He has not as yet become an employer. Therefore he may be unreasonable through ignorance and inexperience, and it is quite likely that he will often imagine abuses which do not exist.

Discipline is necessary for any action, and it may appear to the disciplined to be unfair and unjust, because those in the ranks have not as wide a circle of experience.

The captain of an army or the manager of the business is carrying out a policy, which, to be properly met, must employ certain rules and regulations, and which does not always allow him to discriminate with absolute equity. He may be unfair without knowing it. He has under him a number of men, some of them honest and some the opposite, some active and some lazy, some satisfied and some dissatisfied, some fair and some unfair. To an extent he has to handle them at arm's length. He cannot take all of them into his private confidence. He has not the time, and may not have the inclination, to get as close to them as he should. He places them under discipline, some of it more or less automatic and arbitrary, because there appears to be no other way.

Undeveloped man, and none of us are close to the point of perfection, cannot dispense discipline as his better nature would suggest if it had a better opportunity.

The majority of employers intend to be fair, are considerate, and appreciate the work of their employees. They are so, partly because their good nature predominates, and because it is good business policy to be.

The employer is as much dependent upon the employee, collectively, as the employee is dependent, individually, upon the employer. But here is a difference, which many of us do not take into consideration: The relation of the employer to the employee is collective, or in mass, so to speak, except where there are few employees; while, on the other hand, the feeling of the employee towards his employer is individual or personal.

This condition is responsible for much of the existing trouble, — the employer sometimes looking upon the employee as a machine, and the employee demanding, at times, more personal recognition than the employer can possibly give if he would handle his business as business has, unfortunately, to be conducted.

The good and successful employee or salesman attends to his side of the business, and does not continually find fault with the man he works for, whether or not cause exists. He is gunning for business, and not hunting for trouble. He does his work faithfully and cheerfully, renders the best possible service, and accom-

plishes something in the end that must command the respect of any employer who is twenty-five per cent man.

If conditions are unbearable, he throws up his position, but only after deep and long consideration. He realizes that his employer has troubles and annoyances which no employee has to bear.

The employer carries the weight of the load. Business is hard. Profits may come slowly. There may be frequent losses. He may have to force himself against the current and may be among the rocks. He may have more money and great luxuries, but these come often from over-work and continuous worry.

Some men prefer to remain employees, and are better satisfied with good salaries and the minimum of worry than with commanding positions and the maximum of anxiety.

I am about to say something which may be misunderstood: No one believes in the equality of man more than I do. The man who does his best, whether he be a boot-black or the president of a corporation, is, or should be, recognized to be the business and social equal of any other man or of any body of men. He who does all he can, however little that accomplishment may be, is as great and as worthy as he who has conquered half of the world and expects to command the rest of it. No man can do more than his best.

The doing of business appears to be necessary, and to be a part of our education, leading to better things.

At any rate, business is going to exist for many years to come, and the improvement of business methods will necessarily be slow. For the present, and for some time, there will be a line drawn between employer and employee. The employer, for the time being and during business hours particularly, occupies a position superior to that of the employee. He may be mentally deficient and socially beneath some of those who work for him. He may have less intelligence and far less education. Some of his employees may be better able to command than he is; but, so long as he is in at the head, he must be obeyed; and the employee, like the soldier in the ranks, who refuses to follow orders, will never reach a commanding position.

Few men ever successfully handled a sword who had not as successfully carried a gun, and the great principles of military tactics apply with equal force to the action of business.

If you would look forward to a high position, if you expect the management of salesmen, if you would be ambitious and anxious to become a member of the firm, respect your employer while he is your employer and as your employer. Obey him in all that is right. Look up to him. Honor him. Even admire him and be proud of him, and always recognize him as your superior officer, better able to command you than you are to command him, until the time comes that you become commercially a fellow officer with him or his superior officer.

So long as you sell goods, you are rightly under the direction of somebody, who for the present is your superior, and who at the helm is better able to lay the course than are you who have never seen the chart-room and who are before the mast of business.

While you are in the forecastle of salesmanship, and have not become a ward-room officer, take off your hat to the man on the bridge if you would do your work better and gain promotion quicker.

Do not allow yourself to feel antagonistical toward the man you work for. Do not question his policies and his methods, unless they be dishonest. The fact that he is above you is *prima facie* evidence that he knows more than you do, has had more experience, and is entitled to his position. The better you work for him, the better you work for yourself; and the more you appreciate and honor the position you occupy as an employee, the quicker you will carry the sword of business, and wear the sash of honor, and command a company of workers.

WORKING FOR YOURSELF

EVERY member of the great and ever-increasing army of business, and every one connected with any kind of activity, either is in command of others or is under the command of others; that is to say, he is in the ranks, subject to constant orders, or he is in front of the ranks constantly giving orders.

Yet no one, not even the commander-in-chief, is wholly in charge of himself or of anybody else; and no one, even the slave, is entirely under orders.

The great commander, although his power may seem to be as broad as the field of all outdoors, is under some sort of discipline. He is subservient, at least, to the dictates of public opinion and to public policy. Therefore he is not, and never can be, the supreme authority.

The proprietor of the great department store, a massive structure housing two townfuls of workers, may seem to handle his business as a czar and to be beyond the slightest interference from others, yet he is the servant of his customers, is controlled by the composite policy of them, and is never thoroughly independent.

The great banker, who seems to be able to jingle in his hand the gold of his country, is not independent of banking interests, and is controlled by written and

unwritten laws made and enforced by the composite body of which he is a part.

We are all dependent upon others and subservient to conditions, — members of the working army of activity.

But, broadly speaking, there are two classes of workers, — the employer and the employee, — one in command and the other under orders; yet no one in whose veins runs a drop of red blood is wholly subservient to orders, for every one is in some command of himself, whether he be a hod-carrier or the controller of a railroad.

It is impossible to render efficient service unless the doer commands himself to do what he is commanded by others to do.

The salesman, even though he may be smarting under the discipline of the firm he works for and is under rigid rules and regulations, does not and cannot make more than an indifferent success, unless he feels that he is working for himself while he is working for another, unless he appreciates and honors his position, and feels responsible to himself for the work he does.

He must obey orders and follow the policy of the house he works for. He cannot personally settle the great questions for the firm, but he can settle great questions for himself and remain in command of himself while he is taking and following orders from others.

Unless he realizes that he is working for himself, no

matter how menial may be his position as an employee, he will never produce results worth while, either for himself or for anybody else.

Do not think that I am asking you to feel so important that you will chafe under the harness of discipline. So long as the world lives there must be commanders and commanded, and disobedience to orders invites failure; but there is a difference between being a bloodless machine or a mere puppet pulled by the invisible string of a regulator and the ability to respect yourself and to respectfully follow the direction of your superior.

The successful salesman cheerfully obeys orders, honors and respects his commander; yet, at the same time, he considers that the man he works for and himself combined constitute his real employer, and he is never forgetful that in whatever he does, whether he follows strict orders or not, he is first responsible to himself.

If he is not working for himself, he is not working at all, except as an automaton. If he is not proprietor of himself, he is unworthy of the bark of a friendly dog. If he does not appreciate and respect himself, and feel his personality and individuality, it is because he does not have any, and he is not, and cannot be, a salesman. It is impossible for him to do any effective work unless he is a partner in the transaction. To amount to anything he must consider himself a member of the firm. The more he feels it, and the

more he acts under this inspiration, the better off are his partners, his employers.

The highest self-respect does not interfere with discipline. The bravest soldier on the field is the one who respects himself so much that he can respect his commander, and he obeys orders, not wholly because they come from his superior officer, but because proper self-respect and intelligent policy command him to do as he is told to do.

The trouble with many employees, and especially salesmen, is that they do not sufficiently respect themselves to keep them from chafing under discipline and from cheerfully following orders. Because of lack of self-respect they have a false idea of their rights and a childish desire for independence. They forget that the discipline over the under-man is necessary to fit him to become the over-man, and that the harder one works for another, and the better he carries out another's policy, until he has a right to have one of his own, the more he is really working for himself and building up for himself the great asset of success, — reputation.

Every employee, whether he sweeps out the office, or dusts the desk, or stands behind the counter, or sells goods on the road, is from the start primarily working for himself, and a realization of this is the first step up the ladder of fame and fortune.

Duty to oneself is as important as duty to another, for self-duty enables one to better perform outside duties.

One cannot have too high a respect for himself, for respect does not exist without justification. Self-conceit is an entirely different affair. Self-respect does not make one wear plumes and strut through street or office, but enables him to properly measure and gauge himself and to do his best wherever he may be, and to respect himself as much when following orders as he would if he were giving orders.

The man who cannot with self-respect follow an order will never be permitted to order anybody else.

One of the reasons why so many remain in subordinate positions is because they do not realize that they have two commanders, — themselves and their employers, — and because they do not recognize that great law of business, and of profit, which does not permit the man who is unfaithful to himself to ever be faithful to others.

If you would succeed, no matter what your position may be, realize that you are both an employer and an employee, that you are your own commander first and always, you as commander of yourself taking orders from your superior officer, your employer. So long as you respect yourself as both your employer and employee, and your employer as the general-in-chief, following orders, not as a servant even though you occupy that position, but as a self-respecting worker, you are on the high-road to achievement.

ANTAGONIZING THE CUSTOMER

I HAVE reason to believe that there exists somewhere a perfectly calm, well-balanced, and nicely poised individual. I think I have seen him, but I may have been mistaken. The fellow I saw, however, who was supposed to have reached and to have maintained hair-spring equipoise, was a next-to-worthless sort of chap, physically sluggish, and with a mentality incapable even of disease. He was simply an automaton.

Most of us, especially if we amount to anything and are able to originate and do things out of the common, are not usually perfectly poised and are not always in good command of ourselves. Some of us seem to be born with the proverbial chip upon our shoulders, and by look and by word enjoin every one we meet to knock it off that we may have excuse for retaliation.

Lack of poise is a part of human nature, or, at least, of the brand now prevailing. For the present it cannot be fully conquered, and, perhaps, it will remain forever a part of the every-day world.

The strenuous life we are living, and the continuous tide of sorrows which flows deep enough to drown us, keep us on edge, and it is easy for us to slip and fall. Things which should not affect us at all, or concern us but slightly, often trouble us the most. We are

raw, and filled with mental sores, which pain us from the inside, and which, combined with outside annoyances, naturally make us morose and irritable.

This self-made and absorbed irritability antagonizes those we come in contact with, partly because they have similar troubles, for when trouble meets trouble there is a doubling up of trouble.

Every buyer is likely to be more or less worried, either in business or at home. It will not take much to throw him off his center.

The salesman may be in the same condition. Things do not run smoothly with him. It is natural for him to want to vent his troubles or his spleen upon the customer, and by so doing he cannot help antagonizing him, or irritating him, or doing something, or showing something, which is not conducive to the consummation of a sale.

There are some people who seem to have a naturally antagonistical disposition, who think they are worried or troubled whether they are or not, and who appear to delight in opposing those they come in contact with. This is undoubtedly a disease, and must be so treated, for it is obvious that no person would in his right mind deliberately injure himself that he may injure another. But it makes no difference whether we are antagonistical for cause or without it. We must conquer the outside appearance of it if we would be more than mediocre salesmen.

If we are worried and troubled, and feel like antag-

onizing every one we come in contact with, and seem to have a morbid delight in opposing others, we must get rid of that feeling, and act as though we had a glad hand for all the world, or else we must give up trying to sell goods and get a job flagging a train or standing as night-watchman for a house in the wilderness.

If the customer wanted to buy as much as the salesman wanted to sell him, the salesman could do as he pleased. But, as the salesman is the solicitor, — the asker, — he must maintain his equilibrium if he would effect a sale.

I have already said that comparatively few salesmen sell monopolies, that the customer can usually get what he wants without patronizing any one house. This being the case, the personality of the salesman counts mightily, and justifies me in making the statement that the chief reason why some people will not buy of some salesmen is because the salesmen antagonize them. They rub the customer the wrong way. They wear their troubles on their faces. They allow even a justifiable irritability to show, or they appear to be too important and to have more conceit than self-respect. If the customer gives them provocation for being disgusted, they show it at the sacrifice of good judgment and business, or they may over-force their goods and throw naked advice at the customer.

The customer wants a certain line of goods or a particular pattern. The salesman does not have it,

and he, in a supercilious way, crowds an unwelcome article upon the customer, forces upon him gratuitous advice in allopathic doses, and he makes the customer feel that he has no judgment, and that the salesman thinks he knows it all. Immediate antagonism sets in, or the salesman, for the best of reasons, objects to the purchase of certain articles, and, instead of advising the customer as a friend to buy something else, he expresses his objection in an arbitrary way, completely off-setting his good intentions.

Many a salesman is perceivably filled with a sense of his own importance. He appears to condescend to wait upon the customer, to make him feel that he is doing him a favor by waiting upon him. The opposite is right and good business.

Perhaps the customer cannot afford to buy first-class goods. Nothing interferes more with a sale than to make him ashamed of his limited pocket-book.

If the woman wants to purchase only a paper of pins, and second grade at that, so long as the quality will answer her purpose, or she cannot afford to buy what would be cheaper in the end, it is bad policy to give her any advice which she cannot take advantage of. If she is making a grave mistake, and there appears to be no reason why she should not buy something better, then advise her, but do it with care.

The stores which have built up a lasting and enviable reputation are those which recognize all customers as equal, whether they be poor or rich, sensible or

foolish, and which carry in regular stock ready for immediate delivery a complete assortment of good-will and courtesy.

While you are selling goods you must maintain your balance or you will fail. If you feel in an antagonistical mood, go away by yourself and take it out on yourself. Get rid of it, or cauterize it, before you meet the customer.

I am talking business fact, — cold-blooded selling fact. You must rid yourself of that antagonistical feeling or go out of the selling business. There is no other way.

When a customer asks for information, do not snap it at him. He has a right to ask foolish questions, and it is your business to answer them to the best of your ability. You probably would be as foolish on his ground as he is on yours.

Make every customer feel that you appreciate his orders.

Do not say: "Will that be all!" as though you were not satisfied with the size of the sale. You may politely suggest something else, or call his attention to some article; but make him feel that you appreciate his cents as well as his dollars. At least appear to value the five-cent buyer as much as the five-dollar purchaser.

If you offer advice, give it in a suggestive way. Never forget to say "thank you," or to use some other similar expression. Say something, if only a few words about the weather, which shows cordiality and

appreciation. Make the customer feel glad that he has bought of you and proud of his selection. If you switch him off from one thing to another, make him feel that he has done it, not you; that you brought these things to his attention, allowing him to make the decision.

If you find that certain expressions appear to antagonize the customer, change them for others.

Experiment with your tongue as well as with your manner, and strike a happy medium.

With a little effort, if you have selling instinct, you can tell whether the customer is pleased or not, or whether you antagonize him or not. Then do differently next time, if what you have done does not produce results.

You are going to antagonize a few, for the combined efforts of a thousand angels, multiplied a thousand times, will not satisfy some customers.

But the majority of people respond to politeness, and will appreciate the courteous salesman, even though they may appear not to do so.

Never wait for the customer to meet you. Be a little ahead of him. Anticipate his wants if you can. At any rate, appear to be interested. You must cater to him whether he be unreasonable or not, and keep from antagonizing him. If he is half-decent, and you are all-decent, you may succeed in selling him. If you do not, let the fault be his or the goods, not yours.

GETTING ACQUAINTED WITH THE CUSTOMER

THE better you know your customer, and the more you know about him, the easier you can handle him. Comparatively few sales of any magnitude have been consummated between strangers. An acquaintance with the customer, personal or limited to some knowledge about him, appears to be necessary, and probably is, for most sales of consequence.

The traveling salesman considers it his duty to know something about the buyer before he approaches him. Of course, he does not refuse to meet the man he does not know or knows nothing about; but, if it is possible, he carries with him some general or specific knowledge of the person he proposes to meet.

It is obvious that the counter-man cannot know all of his customers or know anything about them, and it may be impossible for him to become at all acquainted with many of those he meets; but he should make an effort to become acquainted with them, to discover their likes and dislikes, their temperaments, and the quality and quantity of their buying. With this knowledge he can better present his goods and much easier consummate a sale. He can become acquainted with some of them, or learn something about them,

even though they may not feel acquainted with him.

There is a social side to selling. Few good buyers or good salesmen exclusively confine their conversation to business. The buyer often speaks of other things, and he expects the salesman to meet him half way, and the salesman may at times take the initiative if he is acquainted with the customer or knows something about him. This acquaintanceship, which may ripen into friendship, places the salesman in a profitable position.

Of course, one must not be objectionably familiar, and should not forget that business is business, and that friendship is not universally considered a part of business. But acquaintanceship, with or without friendship, is always to be desired.

The bright salesman will get inside of his customer, so to speak; find out about him, know him, and be, therefore, prepared to meet him on his ground, to do and say things which he wants, and to create a certain social atmosphere in trade which smooths the rough edges of business-doing.

While it is impossible to become acquainted with all customers, or to know anything about more than a proportion of them, quiet inquiry will bring to the salesman a vast amount of workable knowledge of who and what the customers are and of what they like and dislike.

Traveling salesmen can easily obtain advance

information from the salesmen who preceded them, or from other salesmen, so that they seldom find it necessary to meet a buyer entirely unknown to them.

The reason why many retail salesmen do not know their customers is because they make no effort to become acquainted with them. They act as automatons, selling a customer if they can, and without making any effort to bring him back for subsequent purchases. They seem to be satisfied with the first sale, and take no thought of the second, notwithstanding that any sale following the first sale is likely to be much more profitable.

Many a salesman is more of a waiter than a coaxer of trade. He stands behind the counter and does what he cannot very well help doing. He does not volunteer or take the initiative. He is not a true salesman, and because he is not, he receives a low salary, which is probably as much as he is worth. So far as one can see, he has no interest in the store he works in, the goods he sells, or the people who buy them. He is not promoted, because he does not deserve to be. His customers appear to pass before him like moving pictures on a screen.

Often we find one who respects the man he works for, who is interested in the goods he sells, and who is not indifferent to the customer. Unless the concern is of the lowest order, this interest is appreciated, usually substantially.

Part of the success of this salesman is due to a sort

of informal acquaintanceship he has with his customers. He may not know their names, but he knows them, and they may not know who he is, but they feel acquainted with him. Between this salesman and the customer springs a sort of friendly acquaintanceship, a something which makes it easier for them to trade together.

Probably, in most cases, he has become acquainted with his customers from coming in contact with them. From their own lips and from their own manners he has ascertained their characteristics, their likes and dislikes. He knows something about them, and can, therefore, handle them to advantage; yes, to mutual advantage, for this sort of business initiative enables the seller to sell at greater profit and the buyer to buy to greater advantage.

The traveling salesman knows, or should know, the name of the buyer, that he may address him by name. This condition cannot universally prevail behind the counter, but a little effort on the part of the salesman will enable him to call many a customer by name.

Nothing pleases the customer more than to be addressed by name by the salesman he does not know. It almost invariably creates a good impression and establishes a sort of friendship. How much better it is to address a lady in front of the counter with "Good morning, Mrs. Smith," than with "What can I do for you, madam?"

Every store has regular customers, even though

they may not carry charge accounts. A proportion of the goods are delivered, and the salesman has the opportunity of ascertaining the name of the customer. He should remember it and the face, that he may address him by name the next time he calls. After he has found out the name of the customer, it is well to repeat it often, but without over-doing it. If a customer is making extensive purchases, it is easy to address him by name from twice to a dozen times during the sale. This simple art of knowing the name, and of using it, has great selling value.

Do not think that you cannot become acquainted with some of your customers, or that you cannot learn their names. You can if you want to, and if you want to you are sure to make the necessary effort. If you do not do it, it is because you will not, not because you cannot.

PERSONAL APPEARANCE

THE outside of man or of woman does not make either of them or stand for intrinsic quality and real ability. Among folks who think and have well-thought-out ideals, dress and other personal adornment count for practically nothing. They are known by what they are and they judge others fairly.

But business is an entirely different proposition. Its ethics are its own. It is arbitrary and commanding, always doing as it pleases, sometimes outraging the better part of life and establishing a code of morals which are not more than technically right.

Fortunately or unfortunately, men of business are judged to an extent, often to a great extent, by their personal appearance.

Because our clothes are always in evidence, what we wear, and all parts of us which can be seen, are of commercial consequence.

The over-dressed man and woman never command respect even among their kind. Over-dressing is against good taste, good morals, good breeding, self-respect, and good business.

Business ethics demands that its people dress becomingly and make a neat and appropriate appearance, of which extravagance is not a part.

True, some salesmen are of unkempt appearance, and are often actually unclean; and yet they sell goods in spite of that; but it is certain that they would do more business if they gave attention to personal habits and appearances.

But do not forget that even the best clothes made by the best tailors do not add to one's appearance, if they are not kept clean and are not in harmony with the face and figure. Clean clothes are more essential than good clothes.

The inexpensively dressed man, with shoes blacked, his clothes well brushed and pressed, makes a better appearance, and is better attired for business, than is he of fashionable but untidy garments. Perhaps you cannot help looking shabby, but you can look clean.

The well-dressed person, or, rather, the properly dressed person, is one whose clothes attract no particular attention, because they are in such perfect taste that no one part of them can stand out in relief. If there is something startling or striking about the dress, the owner will be known by the clothes he wears, and this is against him. No one should be conspicuously dressed, for conspicuousness is always in bad taste.

Comparatively few of us can tell how the well-dressed person is dressed. We simply know that his garments are appropriate and in harmony with him.

Proper dress is a part of the person wearing it, and harmonizes with him, and he is seen as a completed

whole and not recognized by any particular pattern, or fabric, or necktie.

Finery, and especially cheap finery, should be avoided. The gaudy watch-chain is in bad taste, and so is the flashy necktie, or any conspicuous display of jewelry, or anything else for show only.

Not only should we be comfortable, but we should look comfortable.

There is no excuse for unblacked shoes or for the unshaved face. The linen should be spotlessly clean.

No man should use perfumery, and I see no reason why this rule should not apply to women.

Women, especially, should avoid that loud or flashy look which so many seem to think is a necessary part of business.

The hands should be clean, and the finger nails well taken care of.

Many a woman injures her commercial value by the dress of her hair. If she does not know how to do it up properly, let her consult some one who does.

Business men and women should dress to please others, not themselves, to be acceptable to the majority of people they come in contact with.

Adornment for mere personal gratification is sheer selfishness and shows the very extreme of personal vulgarity.

Neatness is always essential, from the top of the head to the bottom of the shoes; and outside neatness is impossible without inside cleanliness.

The face is, to an extent, the mirror of character. At any rate, we are often judged by our facial expression and appearance. Clothes should, therefore, harmonize with the face and figure. A fabric which looks well on one may injure the appearance of another.

Many of us make a mistake by constant change. We over-rate the value of variety. We do not want two suits alike, or anywhere near alike, and this change operates against our outward appearance.

I do not mean to say that one should wear the same fabric all of the time, if one particular kind becomes him, but I advise him not to depart far from an acceptable style and pattern.

Loud styles and patterns should always be avoided. When in doubt, use the plainest designs and the simplest cloths.

The foolish woman, who over-dresses herself, who turns her body into a frame for the hanging of ultra styles, despises the woman who looks as she does, for no woman, not even the worst offender, has any respect for the over-dressed. Conspicuous clothes should be limited to the stage. They have no place in every-day life.

Unusual adornment, and the attempt to look smart, antagonize the buyer, even though he or she may be superlative monuments of the vulgarity of style.

The tendency to over-dress on the part of the fresh drummer is to be deplored. He may do business in spite of making an ass of himself.

The girl behind the counter can do little to greater injure herself and her trade than to make a show of herself by the striking appearance of her clothes.

We are nearing an age of simplicity. Simplicity has become an art. Our best people are applying the principles of simplicity to the clothes they wear.

So long as you remain a salesman, you, as well as your goods, are for sale, or, rather, you are a part of the transaction. While you occupy this position it is as necessary for you to well present yourself as it is for you to well present your goods. You cannot separate the two.

If you would do good business, carry to your buyer the best you have in merchandise, and the best you have in actual self and in the appearance of it.

GOOD NATURE IN SELLING

THE selling-end official of one of the most successful American corporations, employing a small army of salesmen, said to me, in all seriousness and emphatically, that he considered good nature the greatest essential to profitable salesmanship. He claimed that his observations and experiments, covering a period of a quarter of a century, led him to feel positive that this quality — good nature — was worth more than anything else in the consummation of trade.

The reputation of his house is world-wide, and to my friend is due in no small measure the international position which it occupies. He is in charge of the salesmen and of everything pertaining to the output of the product, and is, therefore, largely responsible for the selling success of the business.

What he says is worthy of the greatest respect, and I would not take exceptions to it, if other equally proficient managers of salesmen did not differ from him in not placing good nature at the apex of the selling monument.

But whether he is right or wrong, good nature is one of the prime essentials to successful salesmanship. Without it, it is well nigh impossible to sell goods, except to the few who insist upon having what is offered.

The over-dignified man, or he who is morose, whose face is lined with a map of disappointment, cannot rub elbows with the trade or extend the glad-hand to anybody.

While too much familiarity is objectionable and defeats many a sale, good nature, even too great a display of it, makes no enemies, is sure to create a good impression, and is largely responsible for the formation and maintenance of business friendship.

Notwithstanding that the action of business is often heartless and sometimes cruel, and that sentiment is not supposed to enter into the composition of trading, there is such a thing as friendship in business.

So long as human nature exists, likes and dislikes will play leading roles on every stage of life. Many of our firmest friendships grew from business connections, and many a buyer and salesman are chums.

It is said that it does not pay to do business with friends and that it is unprofitable to cultivate friendship between buyer and seller. Perhaps the statement borders on the truth, but it is a fact that the first-class buyer and salesman usually meet harmoniously and profitably upon both the business and social field.

As a rule real friendship does not interfere with any action, and is an aid to selling and to business-doing. Therefore, anything which contributes to it benefits the parties involved.

Do not misunderstand me. I am not asking the salesman to become the chum or the intimate friend

of his customer. This condition would be impossible, except with a selected few; but I do say that good fellowship between buyer and seller not only robs selling of much of its disagreeableness, but is a profitable asset which should be cultivated by both sides.

There are expert salesmen who seem to live within the hard shell of an assumed but never a natural dignity, for natural dignity is approachable. These men succeed, or, at least, they are not failures. They smile not, neither do they laugh. They have no sense of humor. Their action is automatic, and automatically they work.

But take the great rank and file of successful salesmen, whether on the road or behind the counter, the men who do business are usually those who radiate good nature.

The buyer may do what he pleases. He is seldom obliged to trade with any one man or at any one store. He has, or he assumes, the right of discrimination for and against the goods and the seller of them. If he personally likes the salesman, he is glad to see him or does not object to seeing him; and if he sees him and talks with him, he places himself under his influence. If the salesman has a pleasant face and manner, he will do much to dispel the gloom which is often present in the buyer's office; and this radiation of cheerfulness cannot help adding to the selling chances of the salesman.

Many a man with a thorough knowledge of his

goods and an ability to talk understandingly has failed to make good because of his lack of cheerfulness and of the shadow he casts around him when he attempts to present a selling argument.

But avoid being too familiar, particularly with the buyers you do not know well. Good nature does not need to descend to that. It does not have to travel on a train of jokes or depend upon funny stories, both of which have their places.

The good nature which is a selling asset is that dignified or well-regulated cordiality, that lighting up of the face, that seeming to be on good terms with yourself and the world, that something which makes people glad to see you and sorry to have you go; and if they are glad to see you they will talk to you and let you talk to them. When they allow that, half of the selling battle is won.

Most of us need cheering up, for business is hard and losses are frequent. The buyer is close to the troubles of his business. He carries the heavy weights of loss. The good-natured salesman brings to him a ray of sunshine, which he appreciates and for which he may reciprocate.

CONSERVATISM AND TAKING CHANCES

THE field of business is divided by a very high and a very strong fence. On one side are the conservatives, on the other the liberals and those popularly supposed to represent the more progressive element.

Just here may I not take an exception to applying progressiveness wholly to the liberal, for the conservative may not be unprogressive, although his enterprise does not appear to be so much in evidence?

Thoroughly conservative men, even those who represent the old-fashioned moss-backs, have achieved fame and fortune; and men of opposite tendencies, the most liberal in action, have made as great or greater successes. Both have their place in the economy and action of business, and the two classes will for many years continue to exist, to be eventually amalgamated.

But I think that the man of superlative success, who gets the most out of his opportunities, is a composite man, a liberal-conservative or a conservative-liberal, a man of both action and vision, always cautious, and yet not unwilling to consider the taking of reasonable chances whenever he can afford to experiment.

The element of risk exists in all business-doing. The man who will not move until the "surety-of-certainty" is guaranteed seldom moves at all. The stagnant pool

behaves itself. There is not a drop of liberalism in its muddiness, while the on-rushing river occasionally damages the property on either side of it; but it moves, and to its activity must be credited more profit than loss.

Just the right amount of conservatism, mixed with a similar volume of liberalism, accomplishes the completeness of result; but I doubt if this compound ever contained an equal amount of both, for I have never seen a business man who had not made mistakes.

The perfectly balanced man of business would never err in judgment. He could not fail except by outside pressure. If this individual lives, he has never come inside the horizon of my sight, and I do not know of any one who has seen him.

As none of us are perfect, and as all of us must err in judgment, and as there is always a risk in business-doing no matter how conservatively it may be maintained, we must recognize both the conservative and liberal methods of doing things, leaning for safety's sake towards conservatism when in doubt, and yet not afraid to take reasonable chances unless family or other responsibilities require us to be over-slow that we may be nearer-sure.

I very much doubt if any great success was ever made unaccompanied with some risk. But there is a marked difference between desperate risk, fool-hardy plunges, and the taking of legitimate chances.

No one should stake his all unless compelled to do

so. If he have both feet firmly planted upon the conservative road to accomplishment, he is justified in experimenting with both arms and hands. He may look into the sky if he will. He may be a man of vision as well as of action. He may try to see far into the future, even though he is not able to diagnose it with full exactness. The man without vision, who does not once in a while turn his eyes to the clouds and make pictures out of their curious formations, is too firmly planted on earth to move with the speed of success; while, on the other hand, the visionary man, who is unanchored somewhere, is without a traveled orbit and is like the mariner without a chart or a compass. He does not know where he is or where he is going to land.

Let us suppose, for example, that you are going to meet a certain customer. Perhaps you do not know him and have no time to find out his characteristics, and cannot, therefore, frame in advance any method of action. If you are too aggressive or too progressive, you may offend him. If, on the other hand, you are too conservative, you may not get close enough to him to consummate a sale. In this particular case the best you can do is to take reasonable chances, rather leaning towards conservatism than away from it. Here the activity of your mind comes into play, and the brain of the successful salesman is always alert. He is able to change from hot to cold, or *vice versa*, at a moment's notice. If he makes a mistake, he can usually correct it before

it is too late. He exercises caution at the start, branching from it as conditions permit or suggest.

Experience is the best teacher. I know of no other way of rightly mixing caution and its opposite. But do not be discouraged if your compound is not just right. Perfect conditions do not exist. You will learn from failure as well as from the success you make, and a few of the former may contribute mightily to your up-building.

Try to be as sure as you can be, always remembering that you can never be fully sure.

Your time is limited. You must learn to judge quickly, and sometimes instantaneously. Prepare for each case as much as possibility admits. Do not throw yourself at chance. But when you are rounded up at the crack of the business whip it is usually better to do something and say something than to do nothing and keep still.

Cling to the rock of conservatism, but do not become so much a part of it that you cannot trust yourself to leave it when conditions suggest a leave of absence. When you leave it, however, do not go so far away that you cannot get back to it.

RESPECT YOUR EMPLOYER

THERE is an unwritten law of business, from which there is no appeal, making your employer or manager your superior during the action of business. He is in command. You are under command. Without commanders the soldiers of business would degenerate into a mob, uncontrolled and doomed to death. So long as present business remains, the business army must be divided, the employer to be the officer in command, the employee to be subject to command.

There can be no discipline, no connected work, no successful endeavor, without the commander and the commanded, the one to direct, the other to follow. This condition exists in every department of work, from the street laborer to the manufacturer.

Because the employer is, for the time being, the superior of the employee, he has a right to expect and to demand, not only faithfulness, but respect on the part of the employee.

Few ever successfully commanded who have not successfully worked under command. Therefore, if you chafe in the harness, refuse to be guided by your driver, and to respect him while in the field of business, you are not likely to be fit to hold the reins of direction.

If you cannot give your employer some measure of respect and look up to him while at work, there is

something diametrically the matter with you or with him. If it is with you, get it out of your system at any cost, and learn to respect the man you work for just as long as you are with him. If the trouble is with him, get another position as soon as you can. Or go out into the streets and dig drains, or do some other kind of work which requires little but the exercise of brainless muscle.

You can never hope to succeed as an employee, or to maintain your position at the head of anything, unless you succeed in respecting your position so much that you cannot help respecting the man over you.

The chances are that he would not be above you in business, if he were not, for the time being, a better man than you are; and it is not likely that he will remain in command of you after you have demonstrated that you are a better man than he is.

Ninety-nine and nine-tenths per cent of the men who chafe under discipline, who have little respect for their managers, who are constantly back-biting and fault-finding, and who feel that they are superior to their environment and possess greater ability than do those above them, are unworthy of promotion and unfit to assume responsibility.

The world has produced few leaders fit to lead who have not been successfully led. It is unlikely that you can direct the efforts of others until you have learned how to direct by being directed, even if you have back of you all the universities in the land.

The man above you is probably there because he deserves to be. You are below him probably because you are not sufficiently disciplined and proficient to work beside him or above him.

Occasionally, the employee is more competent than the employer, but this condition occurs too seldom to be taken into consideration.

The position we occupy may be the one we are fit to fill, and we can never hope to rise from it until we have properly filled that position and have rendered to our superiors the respect and duty due them.

Lack of respect, even for those deserving little of it, if they be our managers, breeds dissatisfaction, and is one of the germs which stunt the growth of ambition; while proper respect, — and I mean business respect for those above us in business, — produces that right balance of mind and body which starts one on the right road to a successful future.

DOING WHAT YOU DO NOT HAVE TO DO

THE world of workers may be separated into a hundred, or two hundred, or, perhaps, several hundred classes of money-earners; but there are four distinct kinds of men and women, especially sales-people, viz.:

The first is filled with the lazy and indifferent, whether competent or incompetent, who go and come by the clock when they move at all, and who work neither for themselves nor for their employers. Some of them earn a living, most of them a very poor one, and the names of none of them appear in any roll of accomplishment.

The second group includes the technically faithful and honest, who move slowly and by rule, who have little ambition; but they do in a mechanical way what they are told to do. Most of them are able to earn a livelihood.

Under the third classification, I would place those who are conscientious, honorable, honest, faithful, and painstaking, who have some ambition, a desire to better themselves and to make full return for what they receive. To a large extent they do their best as they see it. They are on hand to receive orders and execute them to the best of their ability. They never reach the flush of success, but they are usually well-to-do and are seldom subject to adverse criticism.

The fourth class carries few members. Each representative of it is a marked man or woman who is at the top or close to it. The great captains of achievement belong to this grade. Their incomes, if they are salesmen or follow commercial pursuits, are larger, and often many times larger, than are others in their line. They are ambitious to the extreme, always faithful, and yet their superlative success is not due wholly to their honesty or to their faithfulness, although both of these qualities count mightily. They have reached their present positions because they did a vast deal of what they were not told to do, what they did not have to do, and what was not a regular part of their duty. They followed orders, and did more. They never lost an opportunity to do something which was not specified in the written or verbal order or request of their employers. They worked over hours, if the extra work would accomplish anything and was not likely to injure them. They became more familiar with the business and the goods they sold than they were required to be. They used their spare time in familiarizing themselves, not only with ordinary conditions, but with everything pertaining to the business inside and out of it. They were always ready to do more than told to do, and they looked for these opportunities and improved them. They made themselves a literal part of the business, far beyond ordinary requirements.

Every employer expects his salesmen to be faithful, honest, and painstaking, and to do as they are told to

do; but he does not and cannot demand more than this. It is optional with the salesman or employee. If he does what he is told to do, his work will be recognized and he will not remain at the bottom of the ladder; but there is no height to which he cannot attain if he of his own volition learns things and does things which never appear in orders.

The man who is strictly honest and faithful, and who follows rules and regulations, deserves promotion and is to be commended; and we should recognize him even though his virtues are negative and but a display of ordinary qualities, the sort of fellow who does nothing bad, and is never a candidate for a jail sentence. His goodness has kept him free from arrest, but it has accomplished little else.

The salesman who does only what he has to do is faithful, but commendable only in a passive way, and is entitled only to conventional praise; while the man who possesses all of these qualities, with the addition of constant and persistent activity, is sure to reap a reward which cannot be given to those who do only what they have to do or what they are told to do.

Superlative success-making depends upon doing what you are told to do and what you are not told to do, — what you must do and what you need not do. One without the other invites failure. Together they lead to the tip-top of accomplishment.

THE KNOCKER

COMPLETE satisfaction is self-idolatry. This world is no place for the thoroughly satisfied. Sensible dissatisfaction with self and surroundings is essential to the ripening of character and to the making of success, provided it is normal and does not exceed a reasonable quantity.

But there is a vast difference between too much satisfaction and debilitating dissatisfaction. The employee who is thoroughtly dissatisfied with his position and prospects without intelligent reason is not likely to reach more than ordinary achievement. He is doomed to present or to perpetual failure. He cannot have more than a slight grip upon his business, a hold which will be loosened at the slightest pressure.

I am not asking the employee, whether he be a salesman or not, to continuously remain in complete harmony with business conditions; or to always believe implicitly in the business policy of his house, or to feel that he could not in time be better situated, or that there is no one in the world as well off as he is; but I do wish to exclaim with all the emphasis of printed words that dissatisfaction is one of the pre-eminent elements of failure.

Perfection is impossible in business or out of it. Conditions are never wholly right. The ideal environ-

ment is seen by the man of vision, and he has never been able to materialize it. On either side is trouble, often real, sometimes imaginary. There is no straight road from anywhere to somewhere, nor is there any road-bed smooth and even or easy to travel upon.

Sensible and well-founded dissatisfaction may help one to rise, but general dissatisfaction either wounds or kills.

If you are dissatisfied with your present position more than in spots, or now and then, there is something the matter with you, or there is something the matter with your position, or there is something the matter with both. It is your duty to find out, and to make the discovery with all reasonable speed.

If you are to blame, get this feeling of dissatisfaction out of you at any cost. If you are not, either adapt yourself to conditions or get out. Do not remain in any atmosphere reeking with insurmountable difficulties. The brave soldier never stands upon sinking ground. It is more noble to run away than it is to attempt to stand firmly on nothing. But a large percentage of the dissatisfaction felt by the employee may be in his own imagination or is of much thinner quality than he thinks it is.

The majority of employees join the ranks of the "Knockers" when they enter business. They are surrounded by earlier "Knockers," — men who are dissatisfied, because they are not strong enough to be satisfied, and who build mountains out of the sand that they may stumble over their self-made handicaps.

These "Knockers" are always in evidence, — in the store, behind the counter, and on the road. They are busier finding fault than they are correcting faults. They labor harder than the faithful worker does, and actually become self-tired from doing nothing to remedy anything. They are the microbes of failure, greedy and vindictive, unwilling to injure themselves alone, but desirous of bringing every one else to their level.

Their work is indifferently done. Their ambition, if they ever had any, is reduced to the minimum. They come and go by clock, and would never be on time if they could help themselves.

They have no interest in anything, not even in themselves. They are not in favor of any kind of human betterment, any kind of progress, any kind of action, except the ability to kick, knock, and growl.

They would not be tolerated if their employers could get others; but, as they are so much in the majority, and as they can be made to do stereotyped work, they are hired on the market, stalled, fed, and driven.

Much of the unfairness, and even cruelty, practiced by employers would never have occurred if it had not been for the "Knocker," who cannot be considered as a man, because he resembles man in form only.

Some employers gradually become drivers rather than leaders of men. I am not excusing them. They should know better, and they are certainly intelligent enough to discriminate, but as I am addressing this

book to the employee, it is out of place for me to either praise or find fault with the other fellow.

A reasonable amount of self-satisfaction, and a general satisfaction with surroundings, are absolutely necessary for business success, and especially for the salesman.

If he cannot weather the breezes of the present, he will be wrecked by the storm of the future. He should throw his whole heart into his work, and he cannot do so if he is not satisfied with himself, with his employer, and with his business.

Don't be a "Knocker." Look for the good things rather than the bad ones, and the more you do, the more of them you will find, and the more of them you find, the more insignificant will the bad things appear to be and the less they will affect you.

Overcome dissatisfaction with satisfaction. The bed of business is not made of feathers. The "soft snaps" you hear about seldom materialize.

Business is business. If you are to be a part of it, be satisfied with it. If you cannot be satisfied, or reasonably so, get out; and, perhaps, you will not be quite so big a failure in something else; but the chances are that you have little in you of the stuff that success is made of.

The "Knocker" knocks himself, and his knocking is never heard inside of the door of accomplishment.

TELLING THE TRUTH

It is a fact that a proportion of salesmen misrepresent the goods they sell, intentionally or unintentionally, because they are required to do so or because they are laboring under the delusion that it is easier to make sales by so doing.

For the moment, let me disregard the moral side of truth-telling and give no consideration to the right or wrong of misrepresentation, that I may consider lying exclusively from the standpoint of business, for then I may commercially justify it if I can prove it pays financial profit.

Do not misunderstand me, and do not for a fraction of a second think that I would advise any one to lie or to misrepresent in business, even if by so doing he would double his profits, because money-getting is but a small part of human action, and the loss of self-respect and integrity can never be offset by any amount of financial gain.

The liar or the thief in business and out of it may at times profit by his rascality so far as financial return is concerned, but he is a pitiful, a miserable, and a contemptible fellow, respected by none, not even by the herd of hirelings who smile upon him and are but the hypocritical reflections of the money they get out of him.

But, because misrepresentation plays a part in the business of the world, and because there is undoubtedly reason to believe that lying will sometimes bring financial profit, I propose to discuss the truth and the lie without reference to the moral side of either of them.

Does it pay to misrepresent goods or to otherwise lie in business? Yes, sometimes, if you have no respect for yourself, if you have no conscience and sense of honor, if you do not expect to meet the customer again, if you are selling fake goods, if you are willing to sacrifice your customer after the first sale, getting out of him all you can and getting through with him then and there, and if you can cover up your misrepresentation, so whitewash your lie that its blackness will not be seen until the sale is consummated, then, and then only, lying becomes a business commodity with some financial value.

But if you are in business to stay, and consider the first sale as only initiative, the beginning of profit, the first sowing of the seed intended to grow an everlasting harvest, then the truth is absolutely necessary to profit and to the up-building of any kind of a business monument which is not likely to topple and fall when the winds of trade blow against it.

The stores which last, and remain permanent successes, are those which treat the customer honestly and fairly and look upon trade as a mutual exchange, the seller and the buyer each receiving an equal advantage.

The salesman should represent his goods as they

are, tacitly admitting that he is selling them at a profit, but at a price which will be satisfactory to the buyer. He does not pretend to be in business for the fun of it. He is there to make money. But, notwithstanding, he is in a position to benefit the buyer.

Enthusiasm is to be encouraged, that which comes from honest confidence in the goods, and, at times, it may border upon exaggeration; but this may not be always considered commercially dishonest. Certainly one has a right to be enthusiastic and to present the best side of the story. But if this exaggeration or enthusiasm is carried beyond reasonable bounds, and the best side of the goods is presented to cover up the bad side, the customer will sooner or later get at the truth of it and will not be "at home" the next time the salesman calls.

Successful salesmanship consists in not only selling the goods to the profit of the seller, but to the profit of the buyer. Both must be satisfied. Otherwise trade cannot be continuous.

Of course, there are concerns which continue in business and succeed by every form of sharp practice. They misrepresent continuously. Their salesmen are known as liars and their goods are unreliable. Occasionally they hold a customer for a while, but not often. Most of them fail, and some of them make money by so doing. They succeed by taking fearful risks. They are gamblers and cheats, and when they win they do so because they have struck the luck of

the charlatan. No matter how successful they may appear to be, or really are for the time being, back of their business is absolutely no good-will, no reputation, no asset beyond the cost of their goods.

There is a class of buyers, store-keepers and the like, who are willing to take chances, to play an unfair game of business, and there are many retail buyers who pride themselves on their sharpness. These people will occasionally trade at a questionable store. They like to play the game, but when it comes to buying something worth while they go to a reliable concern.

This class of trade has little permanent value. It runs at high pressure, is controlled by chance, whims, and the gambling instinct, and is subject to leaks and accidents.

I am aware that some sales-people connected with large establishments, and some of those on the road, are ordered to misrepresent their goods. They must do it or get out. If you are connected with one of these concerns, and have any respect for yourself, and desire to make a permanent success, it is your moral and business duty to resign at the first opportunity.

Connect yourself with a reliable house, if you would succeed. Unless you can inspire your customer with confidence in you and in your goods, you cannot continue to do business with him.

One permanent customer is worth many transient buyers.

One of the great fundamental elements of successful

salesmanship is the salesman's ability to inspire the buyer with confidence. This is impossible, except transiently, unless the salesman is honest with the buyer. Take confidence out of salesmanship and you have turned the business mart into a den of gamblers. Without confidence there can be no business except the barter of savagery.

No salesman ever succeeded who did not inspire confidence, and there is absolutely no way of creating it except by honesty and by always telling the truth.

I am not claiming that all business-doing is honest. I must admit that dishonesty and misrepresentation seem to have become a part of the great fabric of trade, but the dishonesty which has, or seems to have, a permanent commercial value is confined to methods, to policies, to unfair competition, and to illegal consolidation. And these very law-breaking concerns in their dishonesty of method demand strict honesty on the part of their salesmen, both to themselves and to their customers, and they refuse to misrepresent their goods, not because of conscience or of morality, but from business policy. They know that they cannot continue to do profitable business if their salesmen misrepresent or lie. They realize that they are more dependent upon the customer than is the customer dependent upon them. They, therefore, although permeated with dishonesty, are honest to their customers.

The business liar is sure to be discovered, and that being the case, lying is not a selling asset.

The truth-telling salesman, the confidence-inspirer, usually succeeds. The life of a lying salesman hangs by a thread, sure to break at the slightest strain.

If your present position prevents you from telling the truth, make a change. You can never succeed where you are unless you are willing to take gamblers' chances, to be satisfied with present profit, and to get along without a permanent name and reputation.

Honesty is the only safe business policy for those who would stay in business.

MODESTY IN SELLING

WHILE modesty is a prime and fundamental virtue, which is not likely to be over-cultivated or developed, by itself alone it has little intrinsic business value, and an over-abundance of it prevents success-making and is fatal to good salesmanship.

Those who pride themselves upon their modesty usually possess the least of it, for the self-gratification that accompanies modesty, if such a condition is possible, is the worst kind of modesty.

It is difficult to draw the line between self-respect and self-conceit. They naturally dove-tail, and we are not likely to have either in its pure state.

Because we do not know ourselves, we are unable to completely separate self-respect, with its accompanying modesty, from self-conceit; nor does there appear to be any particular need of producing this separation to the fineness of a chemical analysis.

Too much genuine self-respect is impossible. An over-abundance of self-conceit is not only objectionable, but disastrous.

I have never known any man of achievement, from the star-gazer to the grocer, who was not conceited, to an extent, at least. His command of self and his

strong mental poise, while not opposed to true modesty, carry with them sufficient self-respect to run over into self-conceit.

Commercially speaking, some self-conceit, well mixed with self-respect and flavored with modesty, is by no means an unbusinesslike asset; and it will be a part of business success, until we have become fully civilized.

The over-modest man does not succeed in selling goods. He who is afraid of himself as well as of others is doomed to failure.

True, the thoroughly conceited man is as badly off as is the man of over-flowing modesty, the difference between the two being that the former is an objectionable failure, while the latter is a harmless one.

Knowledge of any kind breeds self-respect. If it does not, it is not real knowledge; and those who really know things are not likely to be self-opinionated.

Modesty, then, may interfere with proper self-respect, by throwing knowledge out of balance, making it ineffective; while proper self-respect uses it as a building-block, or as a stepping-stone, or for some other part of the structure of achievement.

If you are abnormally modest, afraid of yourself, and have little respect for yourself or for your work, shun the selling side of business. Really, there is no place on the business earth for you; certainly none as a seller of goods.

Yet beware of self-conceit. If you have it, or mistrust that you have it, so mix it into the flour of

self-respect that it may be kneaded into acceptable bread.

Hold on to self-respect as you would to a life-preserver. It will buoy you up when it is calm, and hold you up in a storm. Without it, you can do nothing, certainly you cannot sell goods.

Do not despise modesty, but do not make a specialty of it while on the road or behind the counter.

You hear much talk, and most of it is but the sound of a rattle, about the pronounced and conspicuous modesty of great men, that they are retiring and really do not care to receive their deserts. These men simply appear to be what you may think they are, but down in their hearts is a definite self-respect, a reaching out for what belongs to them, without which they could not have become great or even half-prosperous. They may be over-modest in the things they do not care about, but they are like a solid wall when it comes to the things they love and practice.

The self-respect and proper confidence of the salesman extend to the goods he sells.

COURTESY AND POLITENESS

THE terms courtesy and politeness apparently more than really are synonymous. Politeness is somewhat shallow, and its quality may not be deeper than the surface. Courtesy, on the other hand, may be but a veneer, but it should be made of sterner and more substantial stuff. An action of courtesy may give one something, and be of material benefit, both to giver and receiver, while politeness may not be more substantial than a contribution to transient pleasure.

Some sales-managers consider courtesy as the greatest essential to successful salesmanship.

A friend of mine, who has profitably managed hundreds of salesmen, and who is recognized as one of the best sales-directors in the country, told me, without qualification, that he considered courtesy of more value in selling goods than even a knowledge of the goods and the ability to properly present them.

I am not prepared to agree with him to this extent. I think he is placing upon courtesy a burden greater than it can bear, but I do believe that no one can succeed in selling goods, be better than an ordinary salesman, who is not both courteous and polite, and who does not consider these attributes essential selling assets.

I present two concrete examples, both coming within my immediate experience:

Some time ago I made a trans-continental trip. The night before my arrival home, most of the men in one of the sleepers gathered in the smoking compartment, told stories and swapped experiences. A gentleman, with a strong face which showed determination well-balanced with great experience, acted as a sort of chairman.

My turn came, and, among other things, I gave the names of the railroads over which I had traveled.

Interrupting, the chairman asked me how I was impressed with the conduct of the A. & B. and B. & C. Railroads.

I told him that I proposed to be a sort of walking advertisement for the A. & B., to speak in the highest terms of its equipment, its management, and the territory through which it passed. But I added that its trains were over-crowded, some of the supply-cars failed to connect with the diners, and that I had difficulty in obtaining my meals regularly and sleeping accommodations.

"Then why do you speak so well of it?" the chairman asked.

"I will tell you why," I replied. "As a stranger, I called at the office of this railroad in a distant city, and made inquiries as to the best trains to take and the best places to stop over at, that I might not miss the best scenery. A middle-aged man, with a pleasant

face, not only greeted me as a friend, but he came from back of the counter and treated me as though I were a personage of considerable consequence. He brought another official to his assistance. With painstaking care he imparted information. His intentions were good, and he did his best to please me, but he made two or three errors, which affected my enjoyment. These mistakes were natural and excusable, but I pardoned him, not because his errors were excusable, but because of his friendly interest and his magnificent courtesy and politeness.

"There were annoyances all along the line on account of over-crowding; but I stood them, and made no complaint, because everybody, from the conductors to the brakemen, seemed to have singled me out for especial courtesy, while, as a matter of fact, the other passengers were treated as well as I was."

"How did you like the B. & C. Railroad?" inquired the chairman.

"It gave me the best accommodations," I replied. "The equipment was perfect, its trains were on time; in fact, I enjoyed luxuries equal to the best hotels. But," I added, "I would not go over that road again unless I had to."

"Why?" inquired the chairman in amazement.

"Because," I answered, "several of its officials were post-graduates of the College of Extreme Hoggishness. As a gentleman I entered their office that I might obtain information and sleeping-car accommodations. I

was treated with every discourtesy, even bordering upon insult. An inquiry showed that this lack of courtesy was almost universal."

Summing up, I claimed that courtesy was one of the business and railroad assets; that the traveler, or everybody else, would stand any unintentional annoyances if he received good wholesome courtesy; that he disliked doing business with a man who was technically all right, but who lacked good-heartedness and whose speech and manner were as automatic and as hollow as the tones of a cracked talking machine.

The chairman sat in silence for several minutes. Then, extending his hand, he took mine with a fervent grasp.

"My friend," he said, "you have expressed a great business-getting and business-holding truth. Courtesy, on the part of a railroad official, as well as upon that of all business-getters, is, I believe, vitally essential. Will you exchange cards with me?"

I handed him my card and received his in return. When I had glanced at it, he smiled and said:

"You did n't know that you had been talking with the general passenger agent of the discourteous road, but I believe that you told the truth, and I thank you for it. When I get back to my office, I shall stand in the middle of it and read the riot act, and there will be changes, and mighty quick ones, too."

In a certain city there are two vaudeville houses, one with a maximum charge of a dollar and the other of

fifty cents. The grade of performance is practically the same, and often the lower-priced house presents a better bill. The dollar-house has become an institution, and there is seldom a vacant seat in its auditorium. The fifty-cent house has changed hands several times, and frequently the actors play to fifty per cent of empty benches.

When you enter one of the houses you immediately begin to breathe and feel the atmosphere of politeness, good-will, and courtesy. Every one, from the ticket-seller to the ticket-taker, from the usher to the water-boy, treats you as though you were an honored guest. In the other house you are waited upon by automatons.

Here are two institutions practically alike, except that one carries a complete assortment of courtesy and the other presents its goods without trimmings.

The house of courtesy has made a fortune. The house without it has had a checkered career.

The foregoing examples apply to salesmanship as well as to the running of railroads and theaters.

Buying is serious business. It means an actual outlay on the part of the buyer. He must give up his money, and there may be a risk in the transaction. Therefore, it must be made as easy for him as possible, and everything which contributes in this direction facilitates a sale.

Perhaps it may be necessary for the salesman to assume politeness and courtesy, to exercise them when he does not feel them. This is not hypocrisy, and there

is neither business nor moral objection to it. If it be hypocrisy and morally wrong, then it is wicked to veneer the piano-case, or to varnish the outside of furniture, or to have the face of wall paper look better than the other side of it.

Courtesy and politeness may be called the sunshine of trade. Sunshine is much deeper than it appears to be. By touching the outside, it warms the inside also.

True, deep-felt courtesy and politeness may be impossible, unless they are reciprocated, and the buyer may not always reciprocate. He may be erratic and morose, even to the disagreeable point. In this case, the salesman may have to force himself to be courteous, but he should do it anyway. It is a part of his stock in trade. The buyer wants it, expects it, and demands it.

When it is difficult to be courteous, the salesman should school himself to it, that he may realize that the giving of it is a part and parcel of his business, as much as are other requirements. If he is not naturally courteous, he must learn to be.

Over-politeness and simpering courtesy are detrimental. Even the childish woman does not want to be gushed over, and any attempt to do it will result in failure. But clean-cut politeness and cordiality, properly regulated and well presented, are definite and positive assets, and they must be used if one would sell goods.

It is never difficult to give them if one is naturally genial and when they are appreciated or reciprocated;

but it is not easy to use them before a snarling, disagreeable, and unreasonable customer.

It is not easy to sell goods. It is not easy to do business. It is not easy to do anything worth doing. But so long as they remain a part of selling, they must be used, and used judiciously, if one would hope to rise above the ordinary.

If you are not naturally courteous, learn to be. Learn it as you would any other science of business.

Too many salesmen simply *wait* upon customers in an indifferent and negative way, antagonize them instead of pleasing them. This attitude, — this lack of courtesy, — drives the customers to another store or keeps them from making large purchases.

The courteous salesman is a marked man. He makes friends in the store and out of it, and this one thing alone lifts him above his fellows, and he will be promoted more rapidly than will a better salesman who is morose, indifferent, and who lacks the essential of business courtesy.

STICK-TO-IT-IVENESS

On the distant horizon of fading memory I think I see the old red school-house. As a matter of fact, this particular school-house was painted white and yellow with blue trimmings, but popular tradition says it was red, and red it shall be.

I see the typical old-fashioned school committee-man, who never wore a coat save on Sunday and school visitation days, when he took out his one boiled shirt with paper cuffs and collar, collated them, and after he had shined his shoes with a rag, started, cane in hand, for the one-room house of learning.

I recall many of these addresses. They were all alike, and seemed to have been written with the same pencil on the same sheet. They began in the usual way. Two great big pieces of advice always appeared: first, reference to our friend the rolling stone, the fellow who never seemed able to attach himself to any moss; and, secondly, he would say: "Boys, stick to yer jobs. Keep at it. Don't think of nothin' else, and jest work for all yer worth, and every one of yer may be Presidents."

Now I am not taking exceptions to this old-time advice, because upon that meat were fed the men of mark of to-day; and positiveness of statement, whether

it be fully right or altogether wrong, seems to count in the rounding-up of effectiveness.

Some folks have to be told what to do, and the teller of the past found it necessary to give little quarter. But nowadays we are supposed to think out our problems, and the fellow who cannot do it for himself goes to the wall and stays there. Facts are facts, even if they outrage popular tradition and bore holes in our favorite adages.

Let us return to our rolling stone. It is not true that every man of change is predestined to failure. There are thousands of instances of men of constant change, who have tackled many jobs and who are financial successes. Therefore, it is wrong to place the changeable man in a world of utter darkness, and to claim that he can never see the rising of the sun of success.

Yet it is nevertheless a fact that there is absolutely no evidence to prove that the rolling stone would not have been better off if he had given up his rolling and remained in one place and stuck to one kind of work.

It is also a fact that a large proportion of successful men have made comparatively few changes in their business life. They may not have remained with the same firm that they started in with, but they did not make a material change from the kind of business they began with. If their initial position was in a shoe store, they remained in the shoe business. If they took up engineering, they did not travel far away from mechanical headquarters. They chose, wisely or unwisely, the

kind of work they would do and stuck to it, subject to occasional change of base, but not often to change of vocation.

Probably half of us start wrong, that is, we do not choose the line we are best fitted for, largely because we make little effort to diagnose the business future. We take the first job which presents itself. If we are adapted to the business, we succeed; but if we are better fitted for some other line, our top notch of possible success is never reached.

Would I advise the man who has started wrong to make a change of business base, even after he had remained a long time in his chosen vocation?

Yes, if he is sure that he is on the wrong track and can afford to make the change.

Sometimes one cannot change from the wrong road into the right one. He is too old, carries too many responsibilities, and must remain where he is, accomplishing little, yet all the time knowing that he started on the wrong road and is still following it.

But if one has started wrong, and knows it, he should correct the mistake at the earliest opportunity, provided he can do so without undue sacrifice.

Upon general principles, where we are is the best place for us to be, unless we are sure it is not; and we cannot be sure that we are in the wrong place if the only evidence we have is our bigotry or unsupported opinion. If we are headed wrong, somebody besides ourselves knows it.

Stick-to-it-iveness is a great business asset. Without it the chances of making good are materially reduced. Practically all of the men of successful change made the moves they did with well thought out reason. They did not go from one thing to another until they had weighed each side and had an intelligent reason for making the change.

All of us do not have the same opportunity, and a change, or several changes, may be advisable for one man, while another has no excuse for not sticking to his job.

Mere dissatisfaction with your position should not be taken as good evidence, or exclusive evidence, in favor of leaving it.

Perhaps you are naturally dissatisfied and easily discouraged.

You know the outs of your present position, and know little about the disadvantages of the one you are seeking. The future, unknown to you, appears brighter, simply because you have not seen the dark side of it. Every position has its "outs," and some vocations have many of them. Unless you are sure that you are in the wrong place, and those who know you agree with you, you have no right to seriously consider making a change.

When in doubt, make no move at all. Stay where you are, and stick to your job, unless you and fair-minded friends can discover tangible and material reasons for advocating a change.

Let us suppose, for example, that you are connected with an old established concern, too conservative, perhaps, to suit you, a house which is doing business somewhat opposed to modern methods. You do not receive rapid promotion. You are dissatisfied. But, perhaps, you are a natural fault-finder, a knocker, and a kicker.

You know, or think you know, that another concern is more progressive and appears to offer better opportunity. Would I advise you to make a change? That depends upon circumstances. Would another house give you an equally good position? Would the newness of your work, and the change of environment, operate against you? Would you not be better off with the old conservative concern you are with if you exerted yourself to the utmost? If you enter this new and progressive house, will you not find yourself under the strain of greater competition? How will your ability compare with that of the hustlers and pushers you will have to compete with?

Upon general principles, stay where you are, and stay anyway, unless you are sure that a change is advisable or necessary. Thousands of successful business men began as office boys with the concerns which they are now commanding. They have business records to be proud of.

True, their experience may be more limited than that of the men who have been connected with several firms, but there is an advantage in remaining where you are

and of moving from the bottom to the top within the same environment. Opinions differ, and success has been meted out to both. But a change of business base without reason tends to failure. The longer one remains in a place, the better off he may be, provided he is offered good opportunity.

It is unsafe to follow the advice and action of the great generals of industry or of men of extraordinary mark. They are geniuses. They can succeed at anything and make money anywhere. Throw them into the sea of disaster, and they will float ashore and market the sea-weed that clings to their feet.

Until you become a great genius, it is safer for you not to wander very far from the middle of the road, and to study the experiences of men of ordinary success, and not to be guided by those of great exceptions.

The majority of successful men stuck to their jobs until they were forced out of them by unavoidable pressure, or had positive evidence that they were occupying positions of failure. But none of them changed on account of purely personal dissatisfaction. They either stayed where they were or moved for reason.

The majority of this majority never learned more than one kind of business, and they stuck to that business and mastered it.

Nothing sticks to the man who does not stick.

ORIGINALITY IN SELLING

I APPROACH this subject with fear and trembling, because, however much I may strive to make myself plain, it is possible, and, perhaps, probable, that I shall be misunderstood by some of my readers. If a misunderstanding occurs, it is likely to be confined to an assumed impression that I do not give originality and invention the positions they deserve in the business world.

Let me say, therefore, at the start, that I do not depreciate the quality and intrinsicality of good and sensible originality, for no man ever makes more than small success at anything, from selling goods to doctoring a patient, who does not do something somewhat different from others. The man without originality is merely an automaton, — a machine, — and the little success he makes is purely automatic. He resembles a human being only in outward appearance.

Things seem to move in cycles or in epochs. For a number of years conventionality held almost almighty sway, and most folks did as others did before them, looking aghast at the man who dared to travel beyond the edge of the road of convention.

Naturally, reaction set in, and man attempted to jump beyond the boundaries of caution and sense; and originality, or what masqueraded under that name,

became almost epidemic. It seemed as though every one was trying to be different from all others.

The simplicity of art twisted itself into the grotesque. Non-understandable books flooded the country. Advertising became yellow. Experts rose up as in a night and offered their services to business men, guaranteeing to do something different, this doing differently being paraded as their only asset.

Conditions are changing again, and we are getting back to simplicity, not to the conventionality of simplicity, but to real simplicity.

Yet over-originality and the erratic are still altogether too prevalent. In themselves they have little or no commercial or selling value. To be different from others may be to be inferior to others. An overstock of forced individuality, or of hot-house-grown personality, will operate against the salesman. So long as the world is partly clothed in conventional garments, it will refuse to accept surprising innovations with alacrity, and no man of business can travel with safety entirely outside the road of convention.

Our business assets are weighed in the scale of custom, and what we do, however good it may be, is of little value commercially unless it is recognized and acceptable to those we do business with.

The over-original salesman, scintillating with brightness, may not be as successful as one who combines conventionality with his originality, using enough of each to better impress the customer.

The smart salesman is seldom a good salesman, for smartness can contribute little more than transient result.

Buying is serious business, and any attempt at flippant originality, or originality above the comprehension of the customer, works against a sale.

Originality has a selling value only when it is appreciated by the buyer. If it is so bright that it dazzles him, so high up that he cannot reach it, it is not worth half as much as is well-balanced conventionality.

While originality should be cultivated, and while it has a great commercial value, it should be safeguarded with caution and distributed with judgment.

When in doubt, do not be original. Be matter of fact and exact always, and simple too. Display your originality as a sort of side affair, as additional sunshine, but do not shed it where it is not wanted, and be sure that it is wanted before you shed it.

Do not try to be smart. Do not attempt to be peculiar. Do not be radically different from others unless you are in perfect control of these attributes and know how to distribute them. There is safety in the middle of the road. There is danger at the sides, and there is chance for disaster beyond the boundary line.

The great salesman, like the great business man, wins by taking reasonable chances, but it is not safe for you to copy him in entirety. He has succeeded by the exercise of his enormous ability and remarkable personality. He is a genius. To him license is given.

Until you become truly great, you had better pat-

tern after those in the middle of the ranks, for they have followed accepted principles and have been reasonably sure of each step before their feet struck the ground. Study their methods and work alongside of them if you can. After you have learned the rudiments from them, you have a right to experiment, to bring your originality and personality to the front, to take chances, if need be; but be a good salesman along regular lines first and a shining star afterwards.

One great mistake made by young salesmen and others is to pattern themselves after some great genius, some man of remarkable mark. They would begin where he left off. Because he succeeded by doing certain things, they would do the same.

The experienced captain may sometimes steer without a chart, and he may diagnose the weather without a barometer, because he is both a chart and a barometer, and need not always go outside himself for direction; but the fellow underneath, however proficient he may think he is, had better consult the conventional chart and the automatic barometer.

No man ever reached greatness in salesmanship or anything else at a bound. He has no right to consider himself competent to act as a genius until he becomes one.

Respect fundamental principles, and do not entirely ignore conventional and acceptable rules and regulations until you have mastered them and know how to straddle a comet without falling off.

ADVISING THE CUSTOMER

Some advice is cheap, and much worse than none at all; and some people are so ignorant, arrogant, and self-opinionated that they lack the ability to discriminate and will not tolerate the semblance of a suggestion.

There are others who are afraid to take advice because they have played with advice-taking, and have lost.

These personal experiences have done much towards convincing some folks that advice is worth very little, and that the outsider cannot furnish profitable counsel.

But whatever may be said about it, and whatever one's personal experiences may have been, advice is a marketable commodity, and no sensible person will object to receiving suggestions from any one who is supposed to be familiar in the premises.

The retail salesman is supposed to know more about his goods, their styles and wearing qualities, than is the customer in front of him. He is in touch with the goods, sees more of them than is possible for the customer to see; and, if he is at all intelligent and even moderately interested in his business, he has information which no customer is likely to possess.

The traveling man may not know any more about his goods than does the buyer, because both are experienced,

yet the salesman sees his wares from a different viewpoint, and, as he is moving from place to place, he should know some things about selling conditions that the buyer may not be as familiar with.

The good traveling salesman is a sort of cyclopedia of his business. He cannot help gathering information, and what he has learned, or has come in contact with, may be of considerable value to the retail merchant or buyer.

The salesman is in a position to give advice, or he should be. If he does not know enough to intelligently advise the customer, he had better not attempt to sell goods.

The customer in front of the counter will gladly accept advice and suggestions from the salesman, if the salesman knows his business and the advice given is of interest to him, and if it is presented in a modest, gentlemanly, and courteous way. No customer worth having will resent good advice well given. In fact, most customers expect it, and some of them demand it.

The traveling man has, perhaps, a better opportunity, because he comes in contact with trade conditions all over his territory, and then he meets his customer in more of a social way; but the counter-man will find plenty of opportunity, if he makes an effort to get it.

Many successful salesmen have become the confidential advisers of their customers, who depend upon them, because experience has proven that the advice given is of value. The salesmen, who can give honest

and profitable advice and present it in a proper manner, will sell more goods and hold more customers than will he who attends strictly to selling and to nothing else.

All of us, including customers, are dependent upon others, need others' ideas, especially if they come from experience. The salesman has this experience, because he meets so many people. Therefore, he is logically in a position to advise and suggest. The better posted he is, the more valuable is his advice. If he knows his goods, and the use of them, he is in a position to be of great benefit to his customer.

The manner of giving advice is as important as the intrinsic value of the advice itself. Advice hurled at a customer, or given in an arbitrary way, irritates him and turns him against the salesman, and he will not accept it even though it be good. The salesman must study how to present advice and suggestions, so that they will be received in the spirit they are given. They will not be well received unless they are of benefit to the receiver.

Of course, the salesman's main object is to sell. The customer knows this, but this need not make the advice less valuable or less appreciated.

In giving advice, always tell the truth, for any discrepancy on your part will react against you and the firm you work for.

If the customer buys something wholly on account of the advice given him by the salesman, and loses money, the salesman is in a peculiar position, and

may have lost the customer. If, on the other hand, the advice has been profitable, the salesman has obtained a business friendship which will materially aid in holding and increasing his trade.

A proportion of retail buyers purchase through ignorance goods which will not be satisfactory to them. They do not know how to make selections. They do not realize that what pleases them at first sight may have no lasting quality. Although it is their own fault, they are likely to condemn the salesman who allowed them to purchase what they asked for, and not to think well of the store they traded with. They are disappointed, and they want to throw the blame upon somebody else.

The man behind the counter should not occupy an arbitrary position. He must not force the customer to go one way or the other, but if he knows the customer is making a mistake which is sure to result in dissatisfaction, he can, if he be a good salesman, present the case quietly and politely, and in such a way that the customer will really follow his advice and yet think that he is making the change of his own volition.

Many a buyer desires to purchase goods in too large a quantity, or goods which are not likely to sell. The salesman knows this, and he can make a larger sale if he says nothing. Generally, it pays to discuss the matter with the buyer, to frankly advise him not to purchase a certain line or to make his order larger or smaller, the reasons always to be given. This is friendly

advice as well as mighty good business. The customer appreciates it, particularly if experience proves to him that the salesman is right.

There is no reason why all trading should be cold-blooded business. A little, at least, of the better part of human nature may be given a chance to show itself. There is no reason why the average sale should not be a mutual affair, of equal benefit to both, nor is there any reason why good-will should not be a part of the negotiation.

But be careful. Do not give advice unless you are reasonably sure that it is good, and that it will benefit the receiver. Of course, you cannot be positive about this. If you wait to be absolutely sure, you may spend the rest of your life in waiting. Just be reasonably sure that you are right, then present it to your customer as you would to a friend as an act of good-will, and be so friendly about it and so cordial that it will be received in good part and appreciated.

Usually it is better to suggest, or to appear to do so, than to formally advise, for a suggestion is not likely to antagonize, while arbitrary or positive advice may not be always well received. Here is where experience comes in. If you have good judgment, you will soon learn how to do it. If you have not, you will have to remain an automatic salesman, — a sort of slot-machine, and nothing more.

BEING AFRAID OF YOURSELF

I HAVE attempted to bring out the selling value of confidence under the chapter heading of "Self-Confidence," but a few words about the opposites of it, — fear and abnormal reticence, — may not be out of place.

It is a self-evident fact that nobody ever succeeded in doing anything above the ordinary who was continuously afraid of himself, who always looked for failure, or who had not proper self-confidence.

It has been said that one of our greatest generals won his battles because he was always sure of victory and did not seem to know when he was beaten. But I do not feel like going so far as to unqualifyingly commend the man who does not know when he is down, for when one is certain that he is vanquished, real bravery justifies retreat. Only the fool kicks against the pricks that he cannot remove from his path.

But the man who is continuously afraid of himself, and is forever looking for failure, usually finds it. While, on the other hand, he who possesses proper bravery, and is continually looking for success, expecting to find it, may not always reach it, but he is more likely to.

Some people have a shrinking disposition. They are afraid of the dark, and tremble in the twilight. They cannot seem to hold themselves together, to protect

themselves against obstacles. They expose their vulnerable parts, and invite the thrust of the sword.

Some of this fear is pre-natal and natural and cannot be wholly overcome, but most of it is primarily due to pure and simple laziness, to an unwillingness to stand up, to fight hard and fair whenever occasion requires.

Let me give a word of caution to the man who thinks he is brave, and who may not be. The continuous display of independence is not bravery. Looking for trouble is the act of the fool, not of the man who is truly courageous. Bullying is really cowardice. To retreat, when all hope ahead is gone, takes a higher grade of courage than to stand like a rat in the corner and fight with no prospect of winning.

Truly brave men, in business and in every other walk of life, are those who are not afraid to meet opposition, competition, and obstacle, and who are strong in their self-respect; but who do not make a display of their bravery, and who consider retreat at the right time more honorable than the continuation of a strife which is sure to lead to defeat.

Fight when you must. Stand your ground when there is something to stand on. Run with all your speed when the enemy is solid against you and your firing line is broken to a man. Somewhere else you can set up a fortification, which may stand some chance of resistance. But do not make a specialty of running away. Put up and maintain a bold front when there is a fair fighting chance of victory.

There is no reason why you should be afraid of yourself. Remember that. Never forget it. What is there in yourself to be afraid of? Nor is there any reason why you should be afraid of your goods, if they are marketable. Nor is there any possible reason why you should be afraid of the customer. He is not dangerous. He cannot hurt you. You have a recognized right to address him. Exercise that right. Salesmanship is a part of business. Go in and win if you can. To be afraid is to lose.

YOUR COMPETITORS

NOTWITHSTANDING the tendency towards monopoly and the rapid growth of combinations, comparatively few selling houses are in exclusive command of any one commodity. Competition has not been stifled, except in spots, and few buyers are obliged to patronize any one house to the exclusion of others.

The natural trend of business has produced standard qualities, or, rather, many grades of standard qualities, and about everything is in duplicate. The salesman is likely to meet competition on every side, and generally his competitor is selling just as good goods and at the same terms.

There exists a selling policy, employed by some salesmen, of attacking the competitor at every opportunity and of strenuously depreciating the goods he carries. Practically all level-headed, far-seeing business men of judgment decry the practice of this policy and instruct their salesmen to leave the competitor severely alone, unless forced to express an opinion, and, even then, they favor speaking well of the competitor and of the goods he carries.

Nothing disgusts the average buyer more than knocking a competitor. It almost invariably shows weakness on the part of the salesman, and creates a suspicion that

the competitor and his goods are superior to the one who speaks against them and the goods he carries.

Running down the competitor is far more likely to do him good, and to advertise him, than it is the salesman who is so foolish and unbusiness-like as for a moment to imagine that talking against the competitor can have other than boomerangic effect.

Either speak well of your competitor and what he sells, or say nothing about him, except under very exceptional circumstances.

In selling goods it is better to be an affirmative man than one of negative character. Negatives have little selling value. Customers prefer to listen to positive statements, all right from the shoulder of truth, and the more affirmative they are the better they like them. Talking against the "other fellow" is of negative quality, and for that alone it is out of place in selling, to say nothing about the bad policy of talking against anybody in business.

Mind your own business, and let the other man attend to his business, is a mighty good selling policy.

IRRITABILITY IN SELLING

THE perfectly balanced, equipoised, always calm, and deliberate individual does not exist, never has lived, and never will, until the inauguration of Utopian days.

Extravagant living and strenuous business-doing, coupled with frequent family troubles and friction, make it impossible for any one to be other than irritable at times, and few of us, probably none of us, can always completely control it, and every one will show it now and then, if not more frequently.

It is both useless and absurd to demand perpetual calmness of any one, or to advise him to keep his irritability completely within himself. Imperfect human nature and conditions are opposed to anything like a perfect state.

It has been said that the strongest personalities, the brains of superlative quality, carry the greater volume of irritability; and that ordinary people, traveling conventional paths, show a more equitable balance. It does not matter whether this be true or not. Certainly, it should not be cultivated as an evidence of genius.

The great man, with shabby coat and frayed trousers and with long and unkempt hair, may accomplish much in spite of his untidiness; but his personal carelessness is not a part of his work. It handicaps, not

aids, his progress. The irritable genius may succeed, because he may have sufficient power to override his misfortune.

Because the greater part of irritability has its source in the immaterial or in the imagination, it can be largely overcome or regulated to a considerable extent, unless one is suffering from chronic neurasthenia. The life of the salesman is one of constant friction. The customer is often unreasonable and irritable. Because he is the buyer, he may claim the right to do and act as he pleases. He may cast his spleen or irritability upon the salesman, unloading it upon those he comes in contact with, and especially upon those who make a request of him.

It is useless for the salesman to criticise the customer, to question whether or not he has a right to be irritable, so long as the buyer will do what he wants to and will not allow any one to dictate his policy.

So long as selling requires the exercise of a request, and so long as the seller is usually more anxious to sell than is the buyer to buy, the salesman will be obliged to cheerfully put up with irritability upon the part of the customer, whenever he can do so without loss of self-respect.

It is possible for the irritable buyer, even in his unhappiest moods, to profitably buy for his house; but it is utterly impossible for the irritable salesman to present goods and irritability at the same time and sell the former.

So long as you are a salesman, you will have daily opportunity to be irritable, and perhaps you will meet with hourly disappointment. Every time you fail to make a sale you are temporarily disappointed, perhaps disconcerted, and disappointment breeds irritability, and this irritability, if sustained or shown, cannot do other than interfere with your selling effectiveness.

The retail salesman is especially subject to irritation, for the consuming customer, the one who buys at the store, is not likely to know goods and their values, or just what he wants or must have; while the buyer of goods to be sold again is a better judge of qualities. He meets, therefore, more unreasonableness, and the display of a greater lack of business principles, than come into the every-day work of the wholesale seller. This unreasonableness, and often unfairness, will continue, and there appears to be no way to get rid of it. But if one accepts conditions as does the mariner, who is always prepared for a storm, he will not be so much affected.

Whatever may be the degree of your irritability, and however difficult or easy it may be to irritate you, you must control or regulate it while you are before your customer, or you will miserably fail as a salesman.

In the act of selling it is absolutely necessary for you to show good nature and courtesy, no matter what your inside feelings may be. If you cannot control your irritability for a time, keep away from your customer, if it is possible for you to do so, and do not go

back to him until you are in control of yourself. You may have a thousand excuses for being morose and discouraged, and all of them may be good, but as the customer is not interested in your personal welfare, you have no right to expect his sympathy or regard, unless he is a personal friend. You present yourself to him with a request that he buy something of you. You take the initiative, not he. He is not on sale, you are. As you want his money more than he wants to give it to you, he is your superior for the time being. Therefore you must meet him in a way that is satisfactory to him.

I have the deepest sympathy for men in trouble, for men with physical or other ailments, which keep them constantly on edge. They are indeed worthy of all compassion. But business is often cruel. Little of the human heart comes into it. It is a hard game to play. Its action does not seem to give much room for the nicer things of life. It is give and take, and take and give.

All of us, both buyers and sellers, are subjected to the influences of every kind of environment. It would seem that expert buyers, men who do nothing else, would buy with their brains without the intervention of their feelings, and that it would make very little difference whether the sun shone or it rained. As a matter of fact, from ten to fifty per cent more goods are sold on a pleasant day than are sold when the skies are dark.

I am not referring to the retail business, because folks naturally stay in when it rains, but to the purchases made by professional buyers. Thousands of expert salesmen never call upon the buyer when the weather is unpleasant, unless conditions are urgent.

Greater and better sales are made under favorable environment, and the salesman is one of the creators of it. It is as necessary that he be sunny as it is that the day be bright.

If goods cannot be rapidly sold on a stormy day, how can the salesman expect to succeed with a cloudy face and an irritable manner?

Be considerate of the customer. He may be in a more difficult position than you are. At times he is puzzled and uncertain. If you put yourself in his place, perhaps you would show more irritability and indecision.

Irritability felt interferes with good salesmanship; irritability shown is fatal to good salesmanship.

PERSONAL HABITS

PERHAPS you have a legal right to do as you please, provided you do not interfere with anybody else; but I do not see how you can do as you please, if what you please to do is wrong, without affecting somebody besides yourself. Therefore, if you are dissipated, or have bad habits, you have no legal right, or any other right, to do as you please, or as you have been doing, for you are outraging the best of public sentiment and are antagonizing accepted business principles.

I am aware that some forms of dissipation do not seem to interfere with business-doing, for some men of bad habits make money, and some drunkards keep their financial heads above water. But dissipation contributes to failure, and usually gets the better of the man who practices it.

As a salesman, you are under three definite laws: the law of right, the law of your own self-respect, and the law which says you shall be faithful to the man you work for and do nothing to discredit him.

The first is the most important of all, for from it spring all other laws and rules. It is the law of principle, and principle is the highest of all.

The law of your own self-respect is not of minor importance. The drunkard cannot have it. The man

of bad habits, although the practice of them may bring him transient pleasure, never respects himself, and this lack of self-respect permeates his entire system and puts a brake upon his progress.

To sustain bad habits, when you are in the employ of another, if these acts interfere with your effectiveness or with his, is as dishonest as it is to steal money. You are misrepresenting your employer and are a disgrace to the trade you are in. You cannot honorably accept your salary, even if you are able to sell goods successfully. You are a personal and business disgrace, a consummate fool, a sort of perpetual suicide, wronging yourself and everybody you come in contact with.

Your personal habits are a part of your business structure. From a business point of view alone, leaving the moral side of it out altogether, you have no right to have any habits which will interfere with your business progress, and no form of dissipation can possibly be to your benefit, and it is absolutely sure to work to your detriment.

Bad habits of every kind undermine health, destroy self-respect, and handicap effectiveness.

Wholesome diversion does not require any form of dissipation for its realization. The men who enjoy themselves to the uttermost, and who are best fitted to fight the business battles, are those who are ever careful of body and mind and who refuse to have anything to do with anything which interferes with business or social progress or with the pulling down of character.

The good fellow, who is respected, and who sells the most goods, does not do it with the aid of any form of dissipation. The dissipated man is not respected even by those who share his illegitimate liberality. Even bad men respect and honor the salesman of sterling character. They are distrustful of the fellow who does not retain his self-respect. A drink never consummated a sale that would not have resulted without it. You never offend a man by not asking him to share your dissipation.

Good personal habits are business assets and contribute largely to selling success. With bad habits you may succeed to some extent, but the flush of success is never yours.

TAKING AN INTEREST IN YOUR WORK

It is a positive fact, admitting of no qualification whatsoever, that no high grade of achievement is possible unless one takes an active, a thorough, and a strenuous interest in his work.

There is little fun, and practically nothing worth while, in playing, unless one goes at it with his whole heart, with a definite object, and with the determination to have a mighty good time.

Indifference, either in play or in duty-doing, is the microbe that eats the life out of everything it comes in contact with. No matter how menial our work may be, how disagreeable or how discouraging, we accomplish little in the present, and practically nothing in the future, unless we give it undivided interest for the time being, at least.

Perhaps a small amount of merely mechanical work, assuming that there is anything solely mechanical, can be done with indifference; but even this work of pure detail lacks finish unless interest is back of the hand which does it.

The most successful men, whether sellers of goods or not, began at the bottom, and they were as much interested at the start as they were at the finish. Whatever they did, they did with their might. The boy who

does not take an absorbing interest in the mailing of letters or the sticking on of postage stamps, or makes drudgery of it, or does not consider it a means to a better end, will probably never succeed, and surely will make nothing of himself if his attitude towards his work does not undergo a change.

Everything worth doing is worth doing with a will, and is, for the time being, a vital part of life, and there is nothing of consequence which should not carry interest in the doing of it.

If you do not like your work, either learn to like it or get something else to do; but make every effort to like it before you give it up. It must not be considered drudgery, no matter how disagreeable it may be to you. Even the least of things are stepping-stones to better things.

Few of us are doing exactly what we want to do. There are objections and obstacles all along the line of every kind of endeavor, and we may like one thing better than another, yet be obliged to do that which we like to do the least. But for all that, we can bring ourselves to be interested in the most menial labor, and to throw our heart and energy into the acts, which, for the time being, are parts of our work and lead on to better things. We can often learn to like what we have disliked by forcing ourselves to take an interest in it.

No salesman ever amounted to anything who did not have and maintain a decided interest in his work,

who was not interested in the goods he sold, and who did not feel a personal interest in the house he worked for.

Undoubtedly it is difficult at times to respect one's employer, and the methods of some particular house may not appeal to the employee; but, so long as he retains that position, he must give to it the best there is in him and look forward to a change for the better.

Remember that where you are is likely to be the best place for you, and you should feel that way unless you have positive reasons for not doing so. Particularly should you be interested in the house you work for, and feel as though you were a member of the firm, that you are a part of a mutual interest. Unless you maintain this attitude, you will be of little use to yourself or to your employer. Your interests should be interlocked, unless there is something the matter with you or with him.

Be sure that you are right before you criticise the man you work for. The fact that he is in command of the business may be considered as evidence that he is your superior for the time being. At any rate, you are commercially his inferior, and you never will be his superior unless you respect yourself sufficiently to respect your work.

Before deciding that your house offers you little or no opportunity, go into executive session with yourself, analyze yourself, watch yourself, and make sure that the bulk of the trouble is not in you. You are really

working for yourself, and you should be right, whatever may be the condition of the house you are with; and you cannot be right if you are not doing your best with heart and hand, even under real or imaginary handicaps.

If you are positive that the firm is to blame, — and do not allow your unsupported opinion to have weight, — get out. But be sure of your ground before you make the move.

Be interested, not only in the firm you work for, but in your associates. Get in contact with them. Learn of them, and give something in return. Do not place yourself upon a level above others unless you are sure that you are superior to them. If you are, it may be better to keep it to yourself so far as talking it or showing it is concerned.

Without this broad interest in your work, you will be a rattler of business, a disturbing element which only makes a noise.

If you cannot obtain this interest, if you continue to be dissatisfied, and are unable to locate the trouble after the most strenuous effort, salesmanship is undoubtedly not in your line, and I would advise you to go on the farm if I thought you would make a success of farming. You are on a side track that runs into a bumper or a sand bank. You are not getting anywhere. Get back on to the main line of interest.

TREATING THE CUSTOMER

Some folks, outside of the selling craft, seem to be laboring under the delusion that universal treating on the part of the salesman is necessary to success on the road.

Although the doing of courtesy, with more or less of what is known as treating, is quite common, it is not practiced by every salesman, nor is it done continuously by those who employ it. Some very proficient men stick strictly to the yea-yea and nay-nay of business-doing, and neither give nor receive a favor.

Yet there is not, and cannot be, any moral or business objection to so-called treating, if it be in the form of a courtesy or a return favor.

Life is hard enough, anyway, and business life too strenuous to forbid the introduction of small courtesies and the exchange of little things which smooth the business way and which add much to commercial as well as to general good-fellowship.

But treating should never suggest bribery. If it does, it is fatal to continuous success. So long as it remains a courtesy, an act of good-will, it has commercial value.

But the salesman should never treat the customer, even to a cigar, at the first interview. Let him come to business and stay at business. But after the prelim-

inary skirmish there is no objection to his handing the customer a cigar, or offering to do a minor favor, if he is reasonably sure that it will be considered as a simple act of business good-will, and will not be taken as a bribe.

Let us suppose, for example, that a salesman enters a place of business for the first time. He does not know the buyer. Nothing creates a worse impression than to immediately offer something like a cigar, which at the time is little else than a bribe; nor should he invite the buyer to dine with him until he is sufficiently acquainted with him to establish a sort of business friendship.

If the salesman is a baseball enthusiast, and he knows that the buyer is a fan, or if he enjoys any other sport or form of diversion, and thinks that the buyer is like-minded, then he may in perfect good taste invite the buyer to accompany him. He may take him to lunch or to the theater. He may even send him a box of cigars, if the buyer expresses satisfaction with the flavor of the one he handed him; but never at or near the initial interview.

The safest rule to follow is to do no treating until you know the buyer, and then to treat him as he would treat you, a sort of exchange of courtesy, it making little difference which one stands the expense.

But the offering of any courtesy which is forced, or appears to be, or is obviously done to buy the good-will of the buyer, is mighty poor business.

Of course, if one chooses to minutely analyze the fundamental elements of courtesy or of treating, he may discover that most of it is done in hope of a reward, and is, therefore, pure selfishness, and not a part of the better part of business-doing.

What if it is tainted with selfishness? What if it is a means to an end? If it accomplishes a result without injuring anybody, and, at the same time, makes trading pleasanter and easier to do, and helps to create and maintain business friendships which lead on to better sales, it should not be discarded.

No iron-clad rule can be laid down. No first-class buyer can be bribed, but the buying hours can be made pleasanter to him.

Simply treat him as you would a friend, and as a friend would treat you. To do more than that is bribery, to do less than that may be business foolishness.

INDEPENDENCE IN SELLING

THE salesman with independence written all over his face and a chip on each shoulder is looking for trouble and is going to find it. So long as he maintains this attitude, he will remain far away from the boundary lines of success.

Nowadays, many of us think altogether too much about our independence, and the folks who have the least right to it appear to show the most of it.

This desire to be independent has become almost epidemic, a sort of international disease, deathly if chronic, and injurious if of a transient duration. Some of us forget that proper self-respect recognizes others as much as ourselves and that real civilized independence is as dependent as it is independent.

Individual man amounts to mighty little. As a part of a composite whole he is of almighty importance; but take him individually, by himself alone, he is no more than the smallest bubble on the biggest sea.

The more ignorant and arrogant the man, the more he talks about his independence and the more he demands what he refuses to give. He establishes his own methods and frames a self-made code of principles. He will do it his way or not at all. He considers himself a great universal IT. If any one opposes him, or acts

differently than he does, he either condemns him or pities him. He does not realize that pure independence grows out of dependence.

I believe in self-respect. The man without it is a little bit worse than nothing. But the man who prides himself on his independence, who proposes to sell goods his way without thinking of the customer's way, who believes that he is right and the customer wrong, who is opposed to the policy of the house he works for when it is an honest one, is unfit to meet any part of the business world, and, when he does meet it, he is beaten at every point. This sort of independence is false independence, not the genuine article, and the exercise of it is absolutely fatal to any kind of success in salesmanship.

The customer has as much or more rights than those possessed by the salesman. The salesman is asking the customer to buy something, and he is more anxious to consummate the trade than is the customer. The asking-man is always dependent upon the man addressed. This position does not mean a loss of self-respect, or anything which interferes with positiveness or with the maintenance of a good honest policy. But the independence which is purely personal, and which is founded only upon the person himself, is one of the greatest obstacles to business-doing.

The majority of poor salesmen object to the policy of the house they work for, object to discipline, object to being told anything, and are particularly opposed to being ordered. They feel that they are looked upon

as dependents, and in this they are right, because they are; but the trouble is that they do not accept this condition as they should, and they chafe under the necessary, and often kindly, harness.

While many a business house is weak in method and wrong in policy, the chances are that it is better conducted than it would be if it was managed by its employees.

Practically every manager of salesmen or maker of selling policy has sold goods on the road and in the store. He is not a novice or tender-foot. He is probably a past-master in salesmanship. He gained his present position because he had drilled in the ranks. His promotion was not that of accident. He has been placed at the head of the salesmen, because he deserves to occupy that position. Not only is he familiar with salesmanship, but he is a part of the policy of the business. The salesmen under him should look up to him, should believe in him and support him and his policies, except in exceptional cases.

Upon general principles, the man at the head deserves to be there or he would not be there, and upon the same general principles it may be said that the salesman under the sales-manager is not as proficient in policy-making and in management as is the man over him, although he may grow to be superior to his commander.

The best salesmen are those who do not chafe under discipline, who do not retaliate at the unreasonableness of the customer, who realize both their dependence and

their independence, and who recognize the rights of others, so long as the exercise of them does not insult their self-respect.

They are both dependent and independent, — dependent upon others, that they may learn of others and satisfy others, and independent so far as it is necessary to be for the exercise of their self-respect and well-earned judgment. They realize that their strength is not in their own individuality wholly, but in their ability to learn of others and to shape their lives, so that instead of being mere individuals, they represent in a composite way the best obtainable.

The independent man does not live.

Many of us are impressed with the majesty and dignity of the commander on the bridge. His face shows the wear and tear of sea, wind, and experience; his tread is positive; his words few and to the point. It is popularly supposed that he is in absolute command of the ship, not only of the vessel itself, but of the lives of all on board. He represents the superlative of independence and individual command. As a matter of fact, he is the best example of the composite. He reached his position step by step. As he stands upon the bridge, the personification of dignity, he is one of our best monuments of the dependence of independence. No man has worked harder to learn what others know, no man has experimented more than he has, no man is more willing to listen to the whispers of the wind and to let the gentle breeze warn him of the coming

storm. His eyes are seldom off the barometer or compass. He is a product of composite training, the representative of true independence.

Do not be afraid of not receiving the respect due you. Better find out whether or not you deserve any respect. If you are worth it, you are likely to get it some time.

Do not be jealous of yourself. You are having no worse a time, probably, than the experience of the thousands who are with you and above you. Our lives are much alike, so far as business goes. We have to go through a certain amount of training and stumble and fall a number of times. All this is discouraging, and we are prone to envy the fellow ahead, and to pull at the reins, forgetting that the driver may have had a harder time than we are having while between the shafts of labor.

SELF-CONFIDENCE IN SELLING

BETTER have too much self-confidence than too little of it. I say this advisedly and emphatically with a full appreciation of the injury which usually results from over-confidence and arrogance.

The man of extreme modesty, the reticent man, the man who approaches the customer in a cringing sort of way, will never consummate a sale worth while.

I despise arrogance; I have little respect for over-confidence; the conceited man is an abomination; and personally I have some admiration for the man of extreme modesty, particularly in these days when modesty has not become chronically prevalent.

To sell goods is an art by itself, and aggressive work is necessary. The salesman must take the initiative. In the battle he must fire the first shot; and, if his first shot misses fire, he is likely to suffer defeat.

Now confidence, even too much of it, seems to be a part of the battle of life, particularly that of business, and more particularly that of selling.

The customer, for the most part, makes it a point to assure the seller that he does not want to buy. He produces real or imaginary obstacles. He is, or pretends to be, opposed to buying. He is looking for a weak place in the salesman, and proposes to take

advantage of it if he finds it. Therefore, the salesman with little self-confidence is likely to fail.

Of course, the perfect salesman, if there be one, carries with him the right amount of self-confidence and modesty. But the perfect salesman does not exist, and, if he did, he would have a hard time fighting the imperfect customer.

The appearance of arrogance is fatal, and too much over-confidence results in failure; but a reasonable amount of self-confidence, even a little too much of it, is a part of successful salesmanship.

No one can sell goods if he approaches the customer with apparent discouragement written upon his face. The appearance of failure breeds failure.

Nobody likes to buy of any one who does not expect to sell. The salesman who thinks he is going to make a sale, or who acts as though he appeared to expect to sell the goods, who has confidence written on his face, stands double the chance of selling as compared with the man who meets his customer as though he were afraid of him, and who talks his goods as though he were sure he could not sell them.

The question naturally arises, how can I, as a salesman or a would-be salesman, obtain and carry self-confidence?

The best way to get it or to develop it is to be enthusiastic about your work, to respect the quality of your goods and the house you work for, and to honestly believe that what you have to offer actually benefits

the buyer. You should be proud of your work, proud of everything connected with it, and consider discouragement as a part of the discipline of business.

If you thoroughly respect your goods and your employer, if you are proud of your position, and if you feel that you have what the customer wants or ought to want, you will carry with you a certain amount of self-confidence; in fact, it will be well nigh impossible for you not to have it.

If you cannot cultivate this self-confidence, if you are going to remain afraid of the customer, if you cannot bring yourself to respect your work, and if you are always thinking of the discouraging side of it, I would advise you to give up trying to sell goods and obtain some other position if you can, preferably in some clerical line where what you do means a good deal more than the way you do it, — a position which does not bring you in contact with the active side of business.

Remember that in selling goods, and, in fact, in doing anything else, you are reckoned by what you are. If you have confidence in yourself and in your work, you show it and the customer sees it and feels it. If you have not, instinctively you are looked upon as a weakling, and the best of goods and intentions count for little.

The salesman is like the soldier on the firing line. If he cannot stand up under fire, he should not be allowed to handle a gun.

Thousands of men and women, competent to do good work in clerical or other lines, have been induced to become sellers of goods, and they make little or no success at it, although most of them manage to scrape together a living. They lack the essentials of salesmanship and particularly self-confidence. They are afraid of their customers, and they cannot seem to rid themselves of this fear. They should make the most heroic effort, and, if it fails, the quicker they get out of the selling ranks the better off they will be, for there is no opportunity for them beyond that of the lowest. If they cannot stand bravely in front of the customer and meet discouragement and rebuff with a smiling face, secure in the confidence of their ability to make a sale at one time or another, if the sale be possible, they have no right to pretend to practice salesmanship. Their place is elsewhere.

STUDYING OTHERS' METHODS

OUTSIDE of the practice of the concrete arts and clerical work, individuality plays an important part. In fact, without the exercise of personality, and doing things one's own way to some extent, more than ordinary achievement appears to be impossible.

This exercise of individuality is much in evidence in salesmanship. While there are fundamental principles of selling, which cannot be done away with impunity, the majority of successful salesmen, and even those hardly above the mediocre class, have some method of their own, approach people in a little different way than others do, and present arguments which represent self-thought-out ideas, even to a small degree.

I have already said, and most emphatically, that salesmanship cannot be taught as can bookkeeping, or chemistry, or mathematics, or other concrete arts or sciences, as it is not, and probably never will be, an exact art, teachable by textbook or arbitrary rule.

Nevertheless, salesmanship is not above instruction, but this teaching, if I may call it that, should come by suggestion, the studying of men and things, and by the exchange of experiences.

Even great ability can be developed into greater ability. The best of us can become better, know more, and achieve more.

Experience and contact with others are the best teachers of salesmanship. Much of salesmanship which may be learned comes from this experience and contact with others, and this is accomplished by studying others' methods and by using as much of them as one can profitably handle.

The practice of untrained personality, and the exclusive use of original methods, invite failure. Notwithstanding how great our personality may be, alone we are very imperfect, and by ourselves it is impossible for us to accomplish anything worth while.

Although we have methods of our own, or what appear to be, and although many of us possess strong personality, as a matter of fact, these methods and our personality came largely through others, or, rather, contact with others developed them. While large differences are noticeable, all of us have something in common, and most of our ideas are adopted.

Successful salesmen live and travel with salesmen, are active members of organizations of salesmen. They never lose an opportunity to discuss with others the experiences of selling. To the little they know they add the much that others know. They are students of the human nature of salesmanship. They are able to gather something from every one. Even the office boy can give them points.

They know how to adapt the methods of others to their own use. They absorb, and yet distribute at the same time. They take and they give.

Notwithstanding that there are many different methods of selling, they are not necessarily opposed to each other, and the hearing of any kind of experience, whether it be usable or not, adds materially to working knowledge.

Salesmen should get together, play profitable games of conversation, exchange experiences, even minor ones, talk about everything which pertains to selling.

In no other way can one become a successful salesman, for in no other way can he get beyond himself and use experiences and methods which have been proven to be profitable.

The competent salesman knows what he can use, and what he cannot use, to advantage. He knows about how much he can take from another, and what is worthless to him.

Never lose an opportunity to talk with salesmen. Go out of your way to meet them. Arrange to spend some evenings together. While on the train, congregate. Be friendly. If you are able to absorb, you are fit to distribute, and it will be an even exchange.

If you are behind the counter, watch the other salesmen. See how they do things. Whenever possible, visit other stores and study the methods prevailing.

One reason why the average traveling salesman is

more progressive than is the man behind the counter is because he comes more in contact with his craft, and has, perhaps, a better opportunity to exchange experiences and ideas.

But the inside salesman can do all this if he will. He can easily study the methods of the salesmen close by and those across the aisle. He has opportunity to visit other stores and to watch the salesmen there. He can meet salesmen in the evening. I would advise him to form an association of his kind, if there is not a good one near by, to hold weekly or monthly meetings, these gatherings to be open forums, with or without a light lunch. Something to eat, however, helps mightily. Much of what goes into the stomach comes out through the mind, and eating together brings people closer together.

Arrange to meet salesmen at your noon-day lunch — not all of the time, because too much of it is not good for you and you need outside association.

Do not be afraid to ask questions. Refusal to do so is not modesty or consideration for others, but *prima facie* evidence of your laziness and indifference. The man does not live who does not like to be questioned along his line. In this direction he is more willing to give than he is to receive. When we know a thing, we like to tell others about it. If you want to know anything, and you know of some one who has it, go and get it. He is standing on the front steps beckoning you to him. It is a good thing for

him to tell what he knows, and a good thing for you to hear him tell it.

Get together socially and in a business way. No matter how expert you are, you do not know it all. Only by experience and contact with other salesmen can you rise from the ranks. Then, this game of conversation, this swapping of experiences, is not hard work. It is really diversion. It is interesting, or should be made to be. You rest while you talk and listen.

The secretive person and the hermit have no right to live in the world of selling. Really, there is not any place on earth for them.

Get together, and keep getting together. Study others, and let others study you. Learn, not only how to understand others' methods, but how to adapt them to yourself; and, what is as important, learn by experience and by a study of yourself how to discriminate between the good methods of others which you can use and the equally good methods of others which, for some reason, you can never successfully practice.

As a rule, do not try to do as others do just as others do it. The very difference between us makes it impossible for any two of us to be exactly alike or to do the same thing exactly the same way. Men of success are composite. They use what they have and what they can honestly get from others. They are not dishonest, because they give as much as they take, and what they take from others is not anybody's loss.

They simply become a part of the great world of experience, taking and giving as they go along, never relying wholly upon themselves, but realizing that success in every direction depends upon interchange and reciprocity.

INDIVIDUALITY IN SELLING

THERE are several reasons why you should preserve your own and exclusive individuality, especially in salesmanship. The prime one is that you have not, and cannot have, any other individuality.

No two men were born alike. If this unprecedented accident should occur, they would not remain alike, for no two of us have duplicate experiences or can possibly live under exactly the same environment.

Nature does not permit duplication in minute exactness of anything either on the earth or under the earth. There are no two thumb marks alike among the billions of inhabitants of the world.

Because the individuality of each person must remain, and is subject to no fundamental change, and because we cannot possibly possess any except our own, it is obviously both foolish and unbusiness-like to attempt to be what we are not. To do so invites failure and results in discouragement and loss.

True, we may overcome many of our bad habits, regulate or get rid of our irritating mannerisms, train the harsh voice to resemble softness, appear to be pleasant when we feel the opposite, and curb or regulate a bad disposition.

All of the foregoing mentioned changes are possible,

and some of them are probable, notwithstanding that we cannot alter our basic individuality any more than we can grow hair against Nature's intention.

Many a man, who could have been a success in his own way, has approached failure in attempting to be somebody else. Our capacities are limited by Nature, and our natural ability cannot be increased. There is just so much in each one of us, no more and no less. We cannot create, although we may regulate and develop.

Any attempt on our part to get rid of our innate and prenatal individuality tends towards failure. Better be yourself, because you cannot be anybody else. Regulate and develop your individuality, train it to be usable, curb the manifestation of the objectionable, but do not attempt to get yourself out of your own system. You cannot do it.

Whatever you are, you must not expect to satisfy everybody, simply because that feat is impossible of accomplishment. Some folks will like you and others will not. You will have enemies if you are worthy.

The colorless man does not even shed the light of his paleness. At best he is but a reflector, and there is little warmth in reflected rays. There is nothing direct or positive about him. He is like a water-logged ship without a rudder, a captain, and a crew. He simply floats upon the sea of life, and even the rocks of trade have too much self-respect to assist in wrecking him. He is too small for disaster to notice.

Your individuality, properly mastered, is one of your principal selling assets. It separates you from other people. It takes you out of the mass. It gives you recognized character and the right to be respected.

You will be judged by your individuality as well as by your ability. Therefore preserve it, develop it, and handle it as you would any other perquisite, smoothing it out here and there, if it needs it, using the best parts of it and secreting the worst of it. But be yourself all the time, for the suppression of the bad in you does not mean loss of personality.

The individuality which antagonizes the buyer is not of the right kind for selling goods. Therefore, it must be controlled. Yet the perfectly smooth man, who never says anything with any degree of positiveness, who buries all the personality he has, will never amount to anything anywhere.

Every one likes individuality if it is properly served, and nobody cares anything about the namby-pamby man who is afraid of himself and of everybody else, and who is content to float and never to swim on the stream of business.

But while you are forging ahead there is no need of your butting your head against the rocks just because they happen to be in your way. The brave man steers away from danger. He circles the hills he cannot climb. He never looks for trouble, but he meets it when he has to. Only the fool is fool-hardy, for he alone fights the battles which are unworthy of valor.

To sell is to be at war. You are against competition, and part of the victory lies in the presentation of individuality and self-respect, so regulated, mastered, and handled, that they will enable you to win without bruising and without giving pain to either party.

Be yourself, anyway, and your better self. Get rid of all the bad you have in you, if you can. If you cannot get rid of all of it, then get rid of as much of it as possible, and let your trained and mastered personality be the salesman of your better self.

PUNCTUALITY IN BUSINESS

BEING ahead of time may waste a minute. Being on time may save an hour or a day. Being behind time may lose a sale. The late-man always rides on the last car of the train of never-get-there.

If you make an appointment with a customer, keep it if possible. Make every effort to be on time. Nobody likes to wait, and you have no right to make him wait. If you find it impossible to meet the engagement, send word to him even at great cost, and give your reasons. If your train is late, telegraph the customer. If you are taken sick, notify him of your condition.

If you are a store-salesman, always be on time. If your train or trolley is likely to be late, take an earlier one.

Better be ahead of time than behind time.

But do not keep an appointment ahead of time, for you have no right to call upon the customer earlier than you are expected. Better wait outside half an hour and enter at the specified time than to force your presence upon him ahead of time. It may annoy the buyer to have the salesman appear before the time agreed upon.

But there is no objection to being ahead of time at the office. In fact, the ahead-of-time man is appreci-

ated, provided he starts in to work as soon as he gets there. Heads of departments and proprietors of business are usually on time or ahead of time, and the on-time man is sure to attract the notice of his employer and to gain a decided business advantage over those who get in when they get ready.

The on-time man can be depended upon. The fellow behind time is neither faithful to himself nor to his employer.

No matter if there appears to be nothing to do, and if apparently there would be no harm done if you were half an hour late or more, that day may be the very one when you are most needed. If you are there, you can attend to things. If you are not there, you take big chances.

The reputation for punctuality one is of the best business assets. If you are not reasonably sure of being able to reach a certain place at a certain time, set the time ahead. Do not try to make too close connections. Many a railroad train is late. Comparatively few arrive on time.

Let us suppose that you wire a customer that you will meet him at two o'clock, which you can do only if your train is on time. Better make it two-thirty or three, allowing for a margin of safety, than to run so close that the chances are against the keeping of the engagement.

If you are coming from a distance, and are, therefore, dependent upon the trains, it is better to tele-

graph the customer, or write him, stating that you are coming to Blanktown on the train due to arrive at one o'clock, and that you will come directly to his office. If you do not reach there on time, he will know that the train is late, and will blame the railroad, not you; whereby, if you set a specific hour, and fail to meet it, the customer may not place the blame where it belongs. Even if you have notified him that you will arrive on a certain train, it is well to telegraph him while *en route* if there is a likelihood of the train being late. The courtesy will be appreciated.

Always be on time or have an acceptable reason for being late.

THE VOICE IN SELLING

THE tone or ring of the voice counts in every walk of life, except, perhaps, in that of the purely mechanical or clerical; but, even there, it is not of inconsequence.

Many a man of great mental capacity has not received his due in the pulpit because his voice was harsh and irritated his hearers. Many a lawyer failed to impress the jury because of faulty articulation.

The tone of the spoken word is of much importance, and especially in salesmanship, because there can be little of it without the use of the voice.

We are born with good or bad voices, and the man with the bad tone of voice cannot well compete with one who possesses a voice that is naturally pleasing.

But the irritable voice may be changed into one less annoying, although it never can be brought up to the standard of natural perfection.

If your voice is not acceptable to those you talk to, — and you can easily ascertain whether it is or not, — you can by care and practice change it into a less objectionable condition.

I am not suggesting that the salesman become an elocutionist, that he continuously doctor his voice; but I do advise him to take pains with it, and, if it is not what it should be, to do something to remedy the evil.

In all the large cities there are located schools of expression and of the voice. A few lessons at these institutions are likely to do much good. The experiment is worth trying, and the expense is slight. If they are unavailable on account of the distance, the advice of a physician is suggested, who can, perhaps, give you exercises which you can practice without expert instruction.

Many public speakers, and nearly all clergymen and lawyers, have been subjected to voice-education. They will assist you, if you go to them, or tell you where you can obtain help.

Even stuttering can be largely removed, and the sharp edge of a harsh voice can be toned down.

The voice, like all other faculties, is subject to some change, lends itself to development, and may be improved with proper exercise, practice, and care.

The tone of the voice is a selling asset, and no one has a right to allow this strong aid to salesmanship to be other than at its best.

So strongly do I appreciate the value of the voice in selling, that I would advise every salesman of good voice or otherwise to consult some expert on the voice, that he may help to make his good voice better or his poor voice acceptable.

WHAT TO DO OUTSIDE OF BUSINESS

INATTENTION to business kills business. Success is impossible unless one is deeply interested in his work and gives to it painstaking and conscientious attention; but no man is a full man, a manly man, a good citizen, and worthy of the respect of his community, who is a slave to business, and who keeps himself constantly under the lash of work.

It is true that some great generals of industry apparently never get out of the field of business, and enjoy neither diversion nor education, and are deplorably unfamiliar with men and things, caring for nothing save the making of money. These men, although of great business mark, are poor, miserable, and despised failures, and leave behind them neither monuments nor anything else save the disgust of those who traded with them and lived with them or near them.

So long as business remains strenuous, and selling a difficult task to perform, the major part of one's time must be given to business-doing; but this does not mean that one cannot breathe an atmosphere outside the store, or that he must live forever in the dust of business activity. It is better to be a man of health and citizenship, even at the sacrifice of some money,

than to remain a mere weigher and sealer of financial profit.

The good men do lives after them, and makers of money only are despised while they live and forgotten when they die.

Every one should do something besides business, and should stand for something besides the making of money. He should have some outside interest, enjoy some wholesome diversion, stand for something away from his shop or office, and have some kind of a reputation removed from his place of business and his bank.

If his interest is undivided, and he thinks of nothing and cares for nothing save that of making, buying, or selling, he is, at best, little more than an automatic coiner, a chained inmate in the metallic mint of money-making. He cannot be a citizen or a good husband or father. He is an obstructing cog in the mechanism of progress.

It has been said that a man without a hobby is a fool. Perhaps "hobby" is not just the word to use, but let it stand. It is a fact that men with hobbies, with interests which temporarily take them out of the treadmill of work and open to them new avenues for rest of body and mind, which utilize the anti-business-doing cells of the brain, actually accomplish more in their offices than do those who never allow themselves to be moved by outside influences.

These men, if well-balanced, do not neglect business

or other primary duties. When they work, they work. They concentrate their minds upon what they are doing, whether it be the selling of a bill of goods, the planning of a new business scheme, or enjoying a game of ball. They become a part of their environment. They are all business during business hours. They are all play when in the field. They take as much interest fishing in a fishless pond as they do in figuring profit and loss. They are rounded-out men. They seldom fail at trade or at play. They do not pretend to be literary, yet they are not unfamiliar with the best authors. They may not be of artistic temperament, but they open both eyes at a beautiful landscape of Nature or of the brush. They may not hold political office, yet they are good citizens. They stand for progress in and out of trade.

There is something the matter with you if you do not have something outside of your business which interests you. It may be yachting, or tennis, or golf, or fishing, or tramping, or gardening, or good reading, or politics, or anything else in the line of rest and progress, citizenship always included.

If you are in this condition, there is something the matter with you or with your business. You are not a good business man, although you may be a successful accumulator, if you have not the ability to do something, and think of something, besides money-changing.

Every real man stands for something which makes for better civilization, and does something which

fits him to better perform his business and social duties.

It is your duty to take up something in your spare time, and you can have spare time if you want to have it. As a matter of fact, you will work better when you work if you have something else to do outside of your working hours. Possibly you will not make quite so much money, but you will be a better man, a stronger man, and you will have friends.

Establish some kind of social life, even though you may be on the road. Do not be known wholly as a salesman, or a grabber of trade, or a hard-fisted manipulator of business things.

Be posted on something outside of your livelihood-making. Be known for something besides your business activity and trading accomplishments.

Be well-read on some subject, if you like to read; and, if you do not, cultivate the habit.

If you enjoy the water, be a good yachtsman and know how to steer your boat. If you play tennis, play a good game, and throw your heart into it while on the court.

Put the same energy, life, and interest that you give to business into the desirable things outside of business. Have something about yourself that will make friends and hold them.

The concentration you give to business should, to some extent, govern your outside actions.

Do not have too many forms of diversion. You

have not the time to do all things well, — in play or in work. Success depends upon the oneness of your interests, in your ability to keep within the circle of your choice and trade.

Good citizenship is essential, and a general knowledge of current events is necessary to manhood. Good systematic reading is a part of life-building. One does not have to read a great deal to know a great deal. It is not so much how much we read, but what we read, that counts. The persistent reading of a few publications, including a good daily paper, is a foe to ignorance and a developer of one's best faculties.

(See chapter on "What to Read.")

Work, and work hard, at your business, but do not let that be the only end to your life. Your business alone does not make a marked man of you, and the mere getting of money does not stand for lasting distinction.

The best things of life are outside of business, but business must play its part while it is necessary to maintain it.

The all-work man allows his body to wear out and his mind to degenerate. He becomes a mechanical drudge, a worshiper at the gilded monument of trade.

The golden calf is only plated.

Be something besides a business man, but do not neglect business. Round yourself out into a good citizen, for your own sake and for the sake of those who come in contact with you. You will be a better business

man for it, and you will be respected by all of your associates, and then you will lead a happy life, and when old age comes you will not be a dried-up bag of money, and there will be some jingle to your life save the rattle of coin.

WHAT TO READ

THE book does not make the man. Book-learning alone is worth practically nothing, but few men ever knew anything, or ever did anything, who did not know about books.

Book-reading and book-learning, combined with outside experience, accomplish the flush of result. One without the other stands for next-to-nothing.

There are thousands, yes, hundreds of thousands, of book-read men, who are but derelicts floating on the sea of education, useless to themselves and menaces to the progress of intelligence. They are examples of what education cannot do, — shattered, mouldy, mossy monuments of useless endeavor. They are storehouses of information, with a hundred entrances and no exits, misers of knowledge, accumulators who do not distribute.

If you would be a salesman, do not be a book-worm, for it is your business to walk and run, not to crawl.

But do not despise books. They should be a part of your social and business life. Without them you would be unfinished and unfit for all of the big things and for most of the small things.

Because there are so many good books, it is probably well for me not to designate by names the best ones for the salesman to read. It is obvious that I

cannot, at arm's length, be familiar with individual conditions and preferences. Your time is limited. You cannot possibly read all there is, or a hundredth part of the best. Read what you want to read, provided it is sensible and profitable, and remember that what you get out of what you read counts more than the number of books you read.

Taste for good reading can be cultivated. What you do not like to-day you may love to-morrow. The best way to discover what are the best books to read is to pick out what you like, and then to consult with your friends or with others competent to advise you. There are a dozen people in every community who are well-read, who know books, and who can help you. But be careful about selecting your advisers. As you are not to be a scholar or a litterateur, it is not essential to make a specialty of reading many of the works which somewhat exclusively appeal to professional book-readers. The expert literary man in advising you may shoot too high for you, or, perhaps, too low for you, because he may not appreciate simplicity and may confine his recommendations to books too heavy to float. But his advice is good if you offset it with suggestions from people who come in closer contact with every-day men and things.

The advice of any one person is seldom safe to follow, but composite suggestion is pretty sure to be good. Talk with both professional and every-day people, and then compromise between the two. Ex-

change reading experiences. Read books for the good that they will do you, and not wholly for entertainment; but do not forget that you have a right to be entertained a part of the time.

As a salesman you should know about business in general as well as about general things, and much of this can be obtained from books. Any librarian can give you a list of good business books, and intelligent merchants know something about them. If you cannot see them personally, write to them. The editor of your trade paper can be of much assistance to you.

Read a good daily paper with persistent regularity, and do not skip any part of it. Read the editorials as well as the news, and do not omit the miscellany.

Habitually read one or two local dailies, including the advertisements, especially those of the line you follow.

The newspaper is the mirror of the business and social life of its community and of the country and world at-large. It has its imperfections, but no more than those possessed by people in general, and it is, as a rule, of a grade higher than that of its community. Without the newspaper there could be little intercommunication, and most of the good in the world would be undistributed. The good newspaper is in the van of progress. The reader of a well-conducted newspaper cannot be an ignorant man.

The advertising columns always contain information of strong business value, so much of it that I would

advise all business men to regularly read at least a part of the advertisements.

Subscribe to magazines devoted to salesmanship and to general business. Do not neglect the trade paper. Read every issue of it, from beginning to end, including the advertisements. Some of the trade papers thoroughly represent the trade, and others are poorly gotten up and miserably edited; but there is something worth while in all of them. If your firm does not subscribe for them, or you cannot buy them while away, have them sent to your house or purchase them on the road. Read them conscientiously and thoroughly. There is a lot of wheat among the chaff, and if you are interested and discriminating, you will separate the good from the poor.

Not only read about the particular things you sell, but familiarize yourself with the goods which you do not sell, if the house you are working for carries them; and become familiar, by reading and otherwise, with everything pertaining to your business and to all general business which may indirectly benefit you.

Read regularly some good review, a paper or magazine which comments upon current events and which covers the whole world of information. There are several of these published, and most of them are worth subscribing for.

Read, besides, one or more magazines devoted to general literature. They will furnish you with both entertainment and instruction.

Keep up your reading systematically. Spend half of your reading time in general reading, the other half in reading about your business.

Be so much interested in your goods and in your work that you will enjoy reading everything pertaining to them, from the climate where the beginning of them grows, to the packing-boxes in which they are shipped.

WIT AND HUMOR IN SELLING

GENUINE wit and clean-cut humor are profitable commodities in any market, and should be carefully cultivated. The possessor of them has an advantage over those who are too sedate, too dense, and do not or cannot appreciate the lights and sparkles of life.

The wit and the humorist are the creators of human sunshine. They have a distinct and necessary place in the world.

I would pity, yes, I would be somewhat suspicious of the man who possessed no sense of humor. There is something the matter with him somewhere.

The man of strong individuality and of marked ability, the owner of most of the elements of success, can usually crack a joke, or appreciate one, or do both.

But wit, valuable as it is, must be handled with the nicest care. It is a delicate proposition considered commercially. It is more of a hair-spring than a main-spring. If it is always in evidence, or if there is too much of it, it is sure to work injury to its possessor. Too much wit is like a diamond without a setting, — there is nothing back of it in the way of contrast.

Selling goods is more or less cold-blooded business. It is serious to the buyer, because it takes his money;

and equally serious to the seller, because he does it for a living. Therefore, the introduction of wit, or the funny story, should be carefully safe-guarded.

The successful seller caters to the impulses and desires of the customer. He must do it or fail. It is for the buyer, not the seller, to set the conversational pace, to designate the policy of everything outside of business.

The salesman may take the business initiative, but to the seller is allowed the privilege of controlling the social initiative.

If you, as a seller, are reasonably certain that the buyer would enjoy a funny story, or a display of wit, give it to him.

Even the best of wit is sometimes considered flippancy by some men, and especially by the buyer if he is harassed and naturally morose. The best story may prevent a sale on one occasion and help to consummate one on another.

The best rule to follow is never to joke, or to tell a funny story, or to enter into any social conversation, unless encouraged to do so by the buyer.

Of course, if the salesman is intimately acquainted with the buyer, or they are warm personal friends, he then may have excuse to let down the bars at will, for this friendship carries with it social rights, but even here it is better to be careful.

The improper story is never in good taste, and cannot assist in selling goods. Even the teller of the questionable joke may not respect the salesman who outrages

decency in his stories. Unclean fun is a dangerous proposition everywhere.

But a cheery face and a genial smile are always acceptable and must work for success. They cannot antagonize anybody. They are absolutely non-irritant.

When in doubt, do not be funny. Be business-like first, humorous afterwards. Never carry your wit to a market which will not appreciate it.

RECREATION AND EXERCISE

Although I have touched upon these subjects under the chapter heading of "What to Do Outside of Business," I believe that they are of sufficient consequence for a chapter by themselves.

The book-worm and his business brother crawl through life, accomplishing little for humanity, including themselves. Voluntarily they bury themselves in books or business and forever remain in the tombs of their choice. They begrudge the hours of sleeping and of eating, and refuse to reciprocate the smile of the sun. They load, but they seldom fire. Their ammunition, procured at the cost of manhood, remains a useless thing, contributing nothing to any kind of up-building.

Occasionally we find men who stick to business at a sacrifice of everything worth having, including the better part of business. They are a detriment to trade, a menace to society.

Neither the body nor the mind can do its best without periods of rest. It is not how much we work, but how we work, that counts.

The successful and economical man economizes his time. When he works he works with all his body and mind, and when he rests he relaxes all over. He plays

as heartily and as faithfully and conscientiously as he works.

Loafing is not resting, nor does it contribute a fraction of a mite to the making or maintenance of either the physical or the mental. But the right amount of recreation, the proper letting down of the bars, the hearty laugh, the real play, contribute mightily to the building of the monument of success in every calling.

Sticking to business should not be confined to the exclusive doing of business, for it is as important to be in a condition to do business as it is to do business itself.

Few of us are so situated that we cannot get moments and hours of recreation, time and opportunity to recuperate, to make the body and mind better able to stand the strain of work.

If you would succeed, if you would develop the best of yourself, take care of yourself. If your occupation is such that there appears to be no opportunity for exercise, first make sure that no opportunity exists, and then make a change if it is possible. Yes, make a change if it requires a sacrifice.

All the money in the world is worthless if you have no time to enjoy it. The highest business or professional position is of inconsequence if there is nothing back of it or around it.

Relaxation is easy to obtain in most cases for one constantly and conscientiously hunting for it.

If you live near your place of business, walk to it

every day or nearly every day. A pair of heavy shoes, a rain-coat, and an umbrella will allow you to take your daily walk irrespective of the weather. Folks seldom get cold or become sick from being exposed to the natural elements, unless they are hot-house plants unused to naked air and sunshine.

If you live quite a distance from the office, walk a part of the way, and do it systematically and regularly. Find some friend who will walk with you, for companionship doubles the value of diversion.

When you walk, learn to walk properly. If you do not know how, find out. Your doctor will gladly tell you, and much better than I can on the printed page.

Do not eat your lunch alone. Go to lunch with somebody, or arrange to meet friends at luncheon.

Do not spend all your evenings in book and magazine study or in reading. Converse with others. Play a frequent game of profitable conversation where all at the table win.

Set aside a few evenings every week for social intercourse. Have friends come to your house and go to theirs. Do not spend all your time card-playing, but talk matters over, and have a social good time discussing all things of interest, in a light, easy, conversational way.

Do not limit your friends to those in your business. Get outside of your business a part of the time and exchange experiences with those who do not work as you do.

Play ball if you get a chance, and you can do it even in Winter. If there is a gymnasium near by, and good jolly fellows attend it, join the gymnasium, but do not over-exercise or become an athlete.

Better be outdoors than indoors. Learn to swim, and swim at every opportunity in the ocean, lake, and river, when the water is warm, and patronize the swimming school in the Winter.

Take trolley rides, so as to get a diversity of scenery; but when you leave the trolley, walk, and walk part of the way back, picking up the trolley *en route.*

Have some objective point. Do not walk aimlessly or alone, if you can help it. There is more enjoyment and real diversion in traveling a mile with a friend, or to meet a friend, than there is in attempting to walk two miles with nobody to see nobody. Get out of yourself at every proper opportunity.

Do not be so much engrossed in business that you can think of nothing else, because if you do not think of something else, and do not do something else, you will be deficient in business.

If your work requires a certain kind of exercise, take a different kind when out of the shop.

Never take any diversion without an aim or a purpose. Do not make hardship of it. Get pleasure out of it. You can if you will.

Getting physically tired in moderation, if there is nothing seriously the matter with you, means a better night's sleep and a greater capacity for work. But do

not get over-tired. There is such a thing as over-doing any kind of exercise. Never over-strain yourself or take physical chances, for the strenuous sports do much more harm than good, and often injure for life.

If you are naturally athletic, and enjoy severe exercise, do not go into it until you have consulted a good physician that you may know your limitations. It may not hurt you to get tired, but exhaustion is injurious. Do not allow yourself to always decide for yourself. No man, unless a physician, knows his physical strength or how much he can stand, and thousands of young men have driven themselves into premature ill-health by over-exercise. Consult somebody who knows.

Physicians, nowadays, are strong advocates of outdoor exercise, but none of them believe in strenuous athletics. For a few dollars they will tell you just how to take care of yourself.

Do not allow yourself to be guided wholly by books on physical culture, for the book cannot diagnose, and unless you have been professionally trained you cannot possibly know what to do and how to do it.

It is just as much your duty to take care of your physical health as it is to train your mind or do business. And it is your further duty to scientifically and intelligently find out what is best for you to do, and not to depend upon your lack of knowledge or upon the advice of the untrained.

But do not over-do diversion. Diversion is only a

part of life. The all-time baseball fan, the ever-running crank, and other kinds of athletic enthusiasts, become so much interested in outside things that they cannot properly attend to business. The extremist, either in business or in play, is a natural fool or has acquired foolishness.

There is one thing which you cannot over-stock in, and that is common sense. Apply the same common sense to your play as you do to your business, and do not allow yourself to be your sole dictator.

What you want to do in the way of play or exercise may not be the best thing for you to do.

Although dissipation frequently accompanies the action of diversion, it has no right to be a part of it.

A glass of whiskey can spoil a day of pleasure and bring you back to your work much worse off than if you had slaved in the office.

Never do anything in the way of diversion which is wholly physical or wholly mental. Combine the two. Otherwise you make drudgery of it.

But get diversion and exercise some way, and you can in most cases, if you will.

CANVASSERS AND BOOK AGENTS

COMMERCIALLY speaking, the house-to-house canvasser and peddler, and the seller of books outside of the store and the trade, are designated as canvassers or book agents. As a matter of fact they are salesmen, and none of them are agents in any sense. The act of the agent involves his principal, who is legally responsible for his doings. The book agent is agent in name only.

These sellers differ primarily from others in that they do not sell to the trade as a rule, do not stand behind the counter, do not have places of business, and do not usually sell goods to be sold again. They do not cater to any regular trade, as does the shoe salesman, for example, although they may have a selected list of customers.

It has been said that it is more difficult to sell from house to house than it is to sell in any other way. This cannot be so, because, if it is, the selling of these articles would require a very high grade of salesmanship, and men and women who apparently are not possessed of even ordinary selling ability would not seem to be able to make a living.

The expert book agent, — and allow me to use this term because it is so common, — who handles encyclopedias and other voluminous and high-priced works, —

has the fundamental characteristics of a great salesman, and probably would succeed as a regular seller of trade commodities. But the average book agent sells books because he cannot find anything else to do, or thinks that he cannot, because no capital is required, because he can usually begin without experience, and because he can work to-day and stop to-morrow, and be a sort of go-as-you-please seller. A proportion of these people do not continue in the business, but take up some other line if they can find it.

A superintendent of book agents, employing thousands of men and women, told me that anybody who could talk could sell books, and that talking was the prime requisite. The fact that most book agents are fluent talkers, whether they know how to talk or not, and the further fact that a large amount of vocal energy is expended at the consummation of every sale, would indicate that the rapid and fairly good talker would make a good book agent.

The high-class book agent may earn from $5,000 to $6,000 a year, although the latter figure is very unusual. He succeeds because he has the right selling stuff in him, is everlastingly persistent, uses good judgment, has the power of diagnosing the customer, is a good judge of human nature, and is willing to stand any kind of rebuff, even insult. These men are geniuses, and many of them would make less money in some other calling, although it is probable that they would do well in almost any selling direction.

But the rank and file of book agents and other canvassers either do poorly or fairly well, and seldom make more than a living, often because they do not exert themselves.

The book agent, first of all, should know his books and be familiar with similar works. He should carry with him, not only his own opinion about the book for sale, but that of authoritative readers, — men and women of mark, — that he may present arguments other than his own, and be ever ready to quote authorities.

He should know what the book is good for, what it will do, and how it will help the reader, especially the last. He should school himself not to be affected by constant failure, because he cannot expect to sell to every one he meets; yet he must have that persistency that will allow him to feel that every one he sees is a possible customer, and he must, while before the customer, show the confidence of expected success.

He should have a general literary or scientific knowledge of books in general, and possess the power of description. He should allow the customer to do some of the talking; in fact, he should encourage him to do so, because the more the customer talks the easier it is for him to find out what the customer wants, and he is then better able to present the book specifically.

He should be so familiar with the book that he can turn to any page of it upon request, and speak intelligently and emphatically on any point mentioned.

Many people buy books, not for their entirety, but for some particular part of them; and the presentation of some one picture or chapter may be sufficient to sell the book. It is, therefore, incumbent upon the seller to discover the likes and dislikes of the customer.

The names of prominent buyers of the book are of consequence. The agent should obtain a list of the friends of his customers and permission to use their names. Most folks, especially the common people, follow a leader, and buy what others buy.

The good book agent obtains a list of possible customers and finds out something about them in advance. He does not waste time in presenting an undesirable book to them.

The method of approach is of extreme importance. Most people seem to have an apathy against all book agents and canvassers, and they will say "no," and snap it out, even though they may buy afterwards. They may refuse to allow the agent to talk.

Great control of one's feelings is necessary. The slightest show of irritation on the part of the agent is fatal to a sale. He must meet a frown with a smile, and create a good impression at the start. It is difficult to bring a customer into a buying mood, unless the first few words, and the manner in which they are expressed, are pleasing to the customer.

Stereotyped stories or descriptions, recited in a parrot-like manner, are to be discouraged.

The agent should get in connection with others of

his class and exchange experiences. If he is at all proficient, he will learn how to meet men and women, and frame a sort of informal form of presentation or argument which is likely to work well under usual conditions.

Courage is absolutely necessary in the selling of books or house-to-house articles, because the agent generally interrupts the work of the housewife and business man, and most of them are not professional buyers.

Success requires almost instantaneous quickness, and a large amount of personal persuasion. But back of it all is that everlasting persistency and refusal to recognize failure, that schooled ability to pleasantly meet both insulting rebuff and placid indifference.

It offers a living to most people who are willing to work, and it certainly presents one with an opportunity to gain a large amount of experience.

The same principles which apply to the selling of books from house to house are equally pertinent to the selling of any other articles by canvassers.

THE ACADEMIC EDUCATION OF THE SALESMAN

WHAT should be the academic or school education of the seller of goods? It is as well to ask what should be the educational requirements of anybody about to enter any department of business.

The answer is terribly vexed. There is almost a babel of opinion concerning it. The curriculums and methods, from those of the between-town school to the university post-graduate course, show, perhaps, a greater diversity of professional and every-day ideas than exists in any other department of human affairs.

The academic side of education is deservedly receiving the earnest thought of the whole civilized world. Thousands of conscientious, highly educated, and trained men and women are giving their lives to the cause, and are attempting to formulate an educational policy which will be somewhat universally acceptable to the people at-large.

The pessimistic educator and researcher may claim that educational curriculums, methods, and policies have shown less improvement than the changes wrought in any other department of business or commercial science.

Even the optimistic man of learning is not able to refute all of the damaging statements made, for it is

quite probable that if a totally unbiased and fair jury could be impaneled that it would be able to discover ample evidence of greater improvement along purely business lines than in educational fields.

Business-doing and manufacturing have undergone an almost complete change. There are, to-day, few machines or processes which were used a few years ago; while in the educational world one finds a majority of old methods in vogue, which are acknowledged by educators to be unfit for their work; and yet these methods continue to prevail, because expert academic learning and educational direction do not seem to be as active and as progressive as is the selfishness of business.

But the book reader and the business worker, the academic researcher and the expert at trading, are getting together, each contributing his part to what cannot help becoming a profitable whole, and we may confidently look forward to the early arrival of an educational train directly connecting the school-house with the house of business.

Present academic education, broadly speaking, consists of what is given in the common schools, the high school, the classical or preparatory school, the technical school, and the college.

However much we may differ, it is impossible to find, in and out of the educational craft, any one who does not consider a grammar school education essential to any kind of business-doing.

While it is true that some illiterate business men have become marvelous financial successes, not one of them would claim that lack of education did anything for him, and probably all of them would be fair enough to admit that if they had had more school training they would have been better off socially and financially.

Therefore, I think I may safely contend that the would-be salesman, and all those who would enter business, should have at least a grammar or common school education, without which they would be materially handicapped, not only at the start but all through life. And I would most emphatically advise any one intending to enter business to graduate from what is known as a high school, an institution which is both a preparatory and a finishing school.

While attendance at this latter institution may not be considered absolutely essential, it is, I believe, of great consequence, as it gives a knowledge of men and things, which the lower schools cannot possibly present, and then it teaches one how to teach himself, makes him better able to grasp a situation, gives him a higher respect for himself, and prevents a feeling of educational deficiency.

The high school course comes at the right time in one's life, when he has finished the Three R's of Education, is old enough to better weigh educational values, and is in the best condition for the absorption of academic knowledge. Later on in life he cannot as easily

acquire the fundamentals, and he is not likely to have the time for school-room training. The three or four additional years are not wasted, and one should certainly contribute this time to academic study unless financial or other obstacles arise.

Would I advise the coming salesman to go higher academically, to graduate from the technical school, or institute of technology, or college?

If he is going to sell goods of a technical nature, graduation from a good institution of technology will broaden him out generally and will make him better able to meet his customers and to override technical and other difficulties. I would advise him to attend this higher technical school if he can do so without too great a sacrifice of money, health, and time.

But I would not suggest to the young man in financial straits that he live in a cold room and upon insufficient food, at a sacrifice of mental and bodily health, for the sake of this technical school training.

When it comes to the college or university, we find an even greater diversity of opinion. Some business men of mark feel that a college education is essential to the flush of success, while others consider it a good thing, and still others are pronouncedly opposed to it, the last believing that four years at college amount to little more than four years of wasted time for one who is going to take up a business career.

A friend of mine, one of the most expert salesmen in the country, a manager of salesmen, and an active

partner in the business, told me that out of the large number of college men starting in his house, few of them seemed to know how to take hold or to really do things in other than an indifferent and mechanical way. He said that his experience with college men proved to him that a classical education was likely to be not only useless but detrimental to success in business.

Another business friend of mine, a man with a national reputation for shrewdness and for building up and maintaining great business enterprises, is a strong advocate of a college course for those who would enter business. Although not a graduate himself, he put all of his boys through college, and as soon as a boy graduated, he was placed in one of his factories, at the very bottom, forced to wear over-alls, and to carry labor's dinner pail. This man has employed many college graduates, and his experience with them is directly opposite from that of my other business friend.

But I think the majority of business men would differ from both of the men I have described. Comparatively few of them would insist that a college education is essential, and not many of them would condemn the college graduate.

Personally I would advise any young man, whether he intends to enter business or not, to graduate from some first-class college or university, provided he can do so without undue sacrifice.

If he is poor and not physically robust, and must fight to earn his way through college without proper food or other necessities, I would most emphatically condemn a college course for him if he intends to enter business. I do not believe it is worth to him what it would cost him. But, if he can afford it, and can have it without too great a sacrifice, I believe that he will be better off in the end, both socially and in a business way.

College membership gives one an opportunity to make many firm and lasting friends. The college men are together for four or more years; they work together, sleep together, and play together. These years establish a fraternity of the strongest kind. Graduation does not break it. It remains. These acquaintanceships and friendships are an everlasting asset, not only a social one, but one which can be applied to business.

Then, the very environment of a good college is conducive to better citizenship and to the establishment of a high-grade of manliness.

College never made a fool or a fop of a boy. If he came out one, he would have been one without the intervention of the college. Certainly a college education cannot injure a salesman, unless he is bound to be injured anyway, and then it does not make much difference whether he is educated or not.

But no man of business judgment would dare to assert that a college education is essential to good

salesmanship. Success may be made with or without it. In many cases greater success with it; in some cases more success without it. It is simply a question of whether one desires a college education and can afford the time and money.

For the moment let me leave the academic side of education and consider self-teaching. No man is equipped for a living in salesmanship, or in anything else, no matter what his school education may be, if he drops learning when he leaves the school-room or the campus. Men who amount to anything are learning all the time. The store is their school-house and the street their college. There is no place in the world for the man who stops.

Good reading, conversation, contact with men and things, will do as much or more than can any educational institution, after one has learned the fundamentals.

I say this without disparagement to the school or college, because he who knows nothing of books and little of school is either a fool or is likely to be one, and so it is with him who knows only books and has never drawn from the inexhaustible library of the great outdoors.

Books and experience rightly mixed make the compound of success. Neither is worth much of anything without the other.

To sum up, let me say that probably the best rule to follow is to get all the education you can afford.

It is not wasted time if it is so you can give it. But it is unprofitable to have too much academic education if conditions present almost insurmountable obstacles.

Graduate from a high school, anyway, even at considerable sacrifice, and go as much higher as conditions will allow, always remembering that what you get at school is only the beginning of your education.

Academic training better prepares you for life by making you better able to learn, to grasp, to absorb, and to utilize.

This early school education will avail you little unless you begin to study harder after you leave school than you ever did in the school-room.

Adapt your school education so far as you can to what you are going to do. One form of academic education is essential or valuable if you are going in a certain direction, while another should be taken if your after life is to be different.

The establishment of specialty schools is growing rapidly, and in many places one can obtain forms of school training somewhat adapted to his future work. For the present, this condition does not exist except in a few centers, and is unavailable to the many.

The curriculum of the general school, although it may not be directly adaptable to your coming work, gives you a general and a somewhat broad education, which you can adapt to your necessities.

Until the schools combine both the general and broad

training with a specific training especially adapted to your needs, the best you can do is to obtain this general education, adapting its generalities to your requirements.

This general education, however far removed it may be from your personal needs, is of consequence, because, while it may not add a stone to your superstructure, it gives you a foundation to build upon.

THE VOICE OF SELLING EXPERIENCE

APPENDED are personally written articles from twenty-nine representative business men of recognized success, and of large and varied experience in salesmanship.

Every one of the writers has been, or is, a salesman of marked achievement; and all of them are either directly selling goods, or are sales-managers, or are in charge of business outputs.

None of them are theorists. Every one of them has earned his position in the selling world by coming in direct, active, and working contact with buyers of his class.

Each one tells his story from his individual standpoint, and, collectively, the articles present a composite picture of selling success.

The articles are printed as written, having been subjected only to proof-reader's corrections.

The articles appear alphabetically, by company names, so as to avoid even the appearance of partiality.

JOHN R. AINSLEY

Of the Firm of John R. Ainsley and Company, Importers and Manufacturers of Hosiery, Underwear, and Notions, Boston, Mass.

The principles of salesmanship, as applied to the dry-goods business, consist in mastering details, in securing a knowledge of merchandise and in studying human nature. To perfect oneself in the details requires perseverance, utilizing every moment of time, and an earnest desire to learn everything possible from A to Z regarding the make-up and use of the various articles offered for sale; to exercise care in taking orders or serving customers, so as to clearly understand what is wanted in color, size, and quantity; to write orders legibly; and to be correct and precise as to prices, terms, and shipping directions, thus preventing mistakes from careless writing or poor figures or misunderstandings; to be honest as to traveling expenses, and in the disposition of time that belongs to the employer; to handle samples with judgment and care, knowing that they cost money, and to be replaced means added expense; to be correct in deportment, appearance, and habits; and to have a methodical way of doing everything in a proper way, at the proper time, and in the proper place.

A knowledge of merchandise is now absolutely necessary, no half-way business will pass muster. High

schools of commerce, technical schools, and trade pamphlets are doing much towards supplying information about merchandise, and buyers, as a rule, are well posted on "what's what," so that a salesman must know what he has to offer, how to state his story, how to make comparisons as to quality and price, and must inspire confidence in himself, in his story, in his goods, and in his firm, and he must study character, know how to approach individuals (there are no two alike), and how to adapt himself to all sorts of people.

He must make himself right with his prospective customers, and prove to them that his word is as good as his bond, and that the maxim, "All wool and a yard wide," can be figuratively applied to the man as well as to the merchandise.

Brilliancy and braggadocio don't count; but plain, honest, hard work does the business every time.

FRED L. HOWARD

MEMBER OF THE FIRM OF C. A. BROWNING AND COMPANY, WHOLESALE MILLINERY AND SILK, BOSTON, MASS.; PRESIDENT, BOSTON CREDIT MEN'S ASSOCIATION

While salesmen in general are included in the few thoughts here set down, it is the wholesale and traveling distributer of merchandise who is especially in mind.

The great influence of such persons upon the traffic

of the world, the ethics of trade, and even the morals of life in general, make them not only an important consideration, but quite an interesting sociological proposition.

We sometimes hear of "Born Salesmen," and born salesmen there may be, but Salesmanship is the birthright of no one. Salesmanship is acquired, and one can no more be born with that acquisition than he can be born educated. It is true that some are born with the selling talent and take to trading naturally, but the ethics of trade, upon which all success in selling is based, must be studied to be understood and may be acquired by all.

As between the possessor of much talent and little moral sense, and one of little selling talent and a keen sense of the ethics of trade, much more is to be expected of the latter, in the end. With the talent, or gift, of selling in the highest degree, one may prove a sad failure as a salesman, as plentiful examples show.

Even with a thorough knowledge of the goods to be sold, a good understanding of human nature, patience, perseverance, industry, and the valuable possession of a winning personality, no one can achieve either great or permanent success as a salesman, without a sense of honor and justice and the constant practice of these principles.

Salesmanship is so much a matter of morals, that to be a successful salesman is to be an upright man.

The time is not confined to the memory of the very aged, when "the best end of the bargain" theory was

the prevailing policy in selling goods. Somewhat longer ago, a great English writer's comment on commerce in his time was that "honor sinks where commerce long prevails." More and more the prevailing policy is coming to be "a square deal" for all.

It was the merchant prince, A. T. Stewart, who claimed that the greatest factor in his success was the invariable practice of giving value received.

Many men, who think they are struggling against Fate, are merely struggling against the effect of a poor policy, or the lack of any policy at all, upon which to base the conduct of their business. To drop a poor policy, to learn to adopt a good one, will generally turn defeat into success.

It is one of the best policies for every salesman to remember that his own success must come through the success of his customers, and that every advantage he takes at their expense is, in the end, bound to be an injury to himself. Let him never forget the fable of "the goose and the golden eggs," that his trade is the goose that lays the golden eggs for him, and that, in his own interest, if for no higher reason, his customers' interests must be carefully conserved and assisted in every reasonable way possible.

The opposite course may at first appear to bring quicker and better results, but it will limit him to few transactions with such customers, narrow his field of opportunity day by day, and the small advantage temporarily gained will cost him the con-

fidence of the buyers he might have profitably retained for many years, and also cost him the loss of his own self-respect.

A good salesman must be a good sport. He must be a good loser as well as a good winner. He must learn to wait as well as to work, and if he is working along wise, upright, honorable lines, he is sure to win, and his success will be permanent.

It is an unfortunate salesman who does not appreciate the dignity of his work. The seller of merchandise is a factor of great consequence in the enormous and ever-increasing volume of business of the world. It is to him the importer, manufacturer, and wholesaler look for the consummating results of their labor. It is largely upon him that the reputation of his house depends, and the nature of the relations between his employer and the trade is largely in his hands.

It is also an unfortunate salesman who sees nothing in his business but labor for gain and gain for labor.

His opportunities for helpfulness, for doing good while doing business, are on every hand. The poor manager, the unwise buyer, the inexperienced and the discouraged shopkeeper, are all opportunities in his life for helpfulness, which, if improved, will not only insure business success to himself, but make his work a joy, and his life worth living. To paraphrase the poet a little:

> Where all is only a selfish gain
> 'T is useless to excel.

FRANK E. HILL

MANAGER, BROWNING, KING AND COMPANY,
CLOTHIERS, NEW YORK CITY

The selling of merchandise is not only a pleasant, but an easy task. There are three important factors of salesmanship, namely, to read human nature at a glance, having a keen interest in the merchandise, together with prompt and efficient service to the customer.

The great mistake which is often made in selling goods is trying to persuade a customer to take an article which he does not care for. This, in itself, is poor salesmanship, and while there are many definitions of salesmanship, and what constitutes a salesman, I believe the man who builds up the business and is able to take care of it from season to season is the man who would secure the most votes in a competition on salesmanship.

It was in the store of Marshall Field & Co. that I had the opportunity to study human nature and salespeople. I made application to Mr. Selfridge, who was at that time a manager of the retail store, and now a merchant of London, for a position as salesman in one of his departments. In referring to one of his best salesmen, he said: "Give me two men as good as he is and you may have him."

In reply to my question as to why he considered him so good, he answered: "He could serve more than one customer at a time, used excellent judgment in introducing the merchandise, and the customers were pleased with his attention."

Special attention to customers, without giving the impression that you are too eager to make the sale by an over-display of merchandise, is appreciated. This suggests the thought that a customer should never be allowed to leave your store dissatisfied, and a salesman will promptly report to the manager any complaint a customer may have. These matters should be handled with promptitude and void of argument in adjusting a claim, for there is no better advertisement for a firm than a well-pleased customer.

The development of young people to assume positions as salespeople requires much patience and careful instruction from their beginning until they are given a sales-book. I regret space will not permit my explaining in detail the experience in this particular part of mercantile life, as the experiences are so varied that what would fit one case would prove entirely out of place in another.

It is a mistake to try to have young minds absorb the fundamental principles, even in selling goods, in a short space of time; but careful instruction at a well-defined time, say, immediately after they have served a customer, and you saw that the customer was not entirely satisfied with the manner in which

the goods were presented or with the knowledge the salesman seemed to have of the merchandise; then is the time to correct them, and if they are quick to absorb, it will not happen the second time.

It often occurs that the salesman will say "No" (when a customer asks for some specified article), "I am unable to give you that," instead of introducing something which is a little superior, or even a little less in price, where this same customer was given to another salesman, and in five minutes made a purchase of items which were already in the store, but had not been shown. This would come under the point of good salesmanship.

W. ATLEE BURPEE

HEAD OF THE FIRM OF W. ATLEE BURPEE AND COMPANY, GROWERS OF SEEDS, PHILADELPHIA, PA.

One basic requirement for a successful salesman, to-day, is absolute integrity and honesty. He must neither lie nor misrepresent in any way, and naturally he cannot afford to be connected with a house that would permit misrepresentation, either as to quality or value of goods. This may not have been true a generation ago, but the standard of business ethics has advanced so steadily that now no house (and no salesman) can be permanently successful unless they

gain (and deserve) a reputation for plain truth-telling and square-dealing.

Salesmanship to-day, being upon a higher plane, is more attractive and offers better inducements to young men than ever before. The salesman must, of course, understand thoroughly the character of the goods he is offering, and their value. He must be imbued with a spirit of loyalty, and really believe that "our house can do no wrong," at least intentionally. He must feel himself, — and thus impart to his customers, — the confidence, that were he the *buyer* instead of *seller*, he would *buy* from the house for which he is selling.

The methods of successful business, to-day, are not based upon the ancient idea of "trying to get the better of the other fellow." In a broad sense, the interests of buyer and seller, instead of being antagonistical, are really mutual. It is only by "repeat orders" from satisfied customers (whether at wholesale or retail) that it is possible to maintain a prosperous business.

Rather than dwell upon other important requisites of good salesmanship, perhaps it would be more suggestive to the readers to state "one reason why" a dozen years ago we ceased to be represented "on the road," and became at wholesale, as we had always been at retail, "exclusively a mail-order house."

A traveler would send in orders for peas, beans, and other seeds at "cut" prices, and when we protested,

would offer the excuse that so-and-so were quoting those prices. My instructions would be, that while you must never run down a competitor, yet you should maintain the position that *you* were not selling Smith's or Brown's, but Burpee's seeds, and you knew that Burpee's seeds were *worth* the prices asked; they would bring more at retail and make satisfied customers. In other words, in such a business as garden seeds, it would pay to handle only the best grades possible to produce, and these could not be sold at the prices of "cheap seeds" to "quality-buyers." I found it almost impossible, then, to train a salesman to be willing to lose an order rather than attempt to meet competition merely in price. This may have been as much my fault as that of our salesmen. To-day, it would be easier for both of us.

However, for the past decade, we have reiterated in millions of catalogues (*our* "Silent Salesmen") the fact that:

We travel many thousands of miles each season to inspect growing crops, which are produced for us under special contracts throughout America and Europe, but never travel a single mile to solicit an order. And yet we want your trade, if you can appreciate the value of quality in seeds.

MARCH G. BENNETT

GENERAL MANAGER, SAMUEL CABOT, INC., MANUFACTURING CHEMISTS, "CREOSOTE SHINGLE STAINS," BOSTON, MASS.

We all agree that the road to successful salesmanship, like that to other heights of achievement, is unknown, but I believe that the surest and best road that we do know, in this or any other vocation, is hard work, intelligent, courageous, and persevering.

I disagree with the old saying that "salesmen are born, not made." Like most old sayings, it is only a half truth, and is discouraging.

Granted that fluency, geniality, and assurance are important qualifications, it is still true that they alone cannot make a successful salesman (or politician), and the man who possesses these qualities in abundance is less likely to be a hard worker, a student of his business, and a trained expert in his line, than the man with a smaller equipment of these superficial advantages, because the latter finds that he cannot rely entirely upon his personality, as the other man is apt to do, but must work for his success.

In every line, — business, politics, law, and athletics, — we see numerous examples of men who seem to have been especially equipped by Nature for success distanced by others whose one advantage over them is that genius which is *the capacity for hard work.*

The combination of these qualifications, of course, produces the brilliant success that establishes our standards, and, if we argue solely from such examples, a successful salesman must possess all the qualifications which Dr. Johnson required to make a poet, and then some. But, in my judgment, the average intelligent young man who wishes to become a salesman can succeed by hard work, using his brains to study his business and his customers and to sustain his courage. He can educate himself in the science and diplomacy of his calling. He will learn all those standard maxims, — never to misrepresent his goods, never to really lose his temper, to restrain an eager customer from buying too heavily a line that is not adapted for his trade, to force goods upon a reluctant customer that he knows will sell, never to forget that unless he is loyally representing his house he is not making headway; and, more, he can acquire a reputation for complete knowledge of his business that will sell goods and recommend him for promotion. When promotion comes to such a man, he is equipped for it, because he has made himself competent by hard work directed by intelligence.

Therefore, without denying the great benefit of certain accidental talents, I believe that no young man who wishes to become a salesman need be discouraged if he lacks those talents in abundance, but has brains and force.

HERBERT M. SEAVER

SALESMAN, COBB, BATES AND YERXA COMPANY, WHOLESALE AND RETAIL GROCERS, BOSTON, MASS.

The first requisite to become a good salesman is to be honest, not only with your employer, but with yourself as well. Always be obliging and courteous, never familiar. Never make a promise that will be doubtful to fulfill. A good memory is a very great asset.

Cultivate the ability to recognize customers and call them by name. Familiarize yourself with original packages and their contents.

Study prices, so that at any time you can readily quote them.

Enable yourself to write swiftly and legibly.

Never let your customers feel that you are in a hurry; your time should belong to them.

Never watch the clock. The moment you enter the employ of a firm, you should always be willing to do a little more than is stipulated in the agreement, if you aspire to grow in their esteem.

Many times you will find it impossible to go to your meals on time; and, perhaps, you will find it advantageous to your future interests to return before your meal hour has passed.

Much more might be said, but, in my opinion, a man with the foregoing qualities would be a desirable salesman.

JAMES G. BERRIEN

NEW ENGLAND MANAGER, "COLLIER'S WEEKLY," NEW YORK CITY

"Zogbaum works with a pencil: I do things with a pen —

"But you sit up in a conning tower bossing ten thousand men."

So says Mr. Kipling, with a little touch of envy mixed with admiration, to one of our admirals.

It all depends upon the viewpoint as to how much glory a man can descry in his work. There is a certain class of servants in England that counts it a glory when a son adopts his father's calling, and it is a glory to them. Four or five generations trained to wait on others have given England the best servants in the world. Four or five generations of skilled laborers have given England the reputation of making the finest guns in the world. There is a touch and feel and balance in an English gun that is the inheritance of fathers', grandfathers', and great-grandfathers' skill passed on. It is inimitable.

So, in this country, cases might be cited of succeeding generations taking up the same calling, — law, ministry, medicine, merchandising.

There is a business which has grown to enormous proportions in this country in the last fifteen or twenty years. It is too young a business to have engaged the energies of grandfathers, and there are very few fathers whose sons are old enough as yet to take up the same calling. It is the business, — some prefer calling it a profession, — of advertising.

There is coming a time when fathers, now engaged in the profession of law or medicine or in mercantile pursuits, will be as proud to have their sons take up this calling as they now are to have them go through college and take up a profession.

There is no more fascinating and absorbing business open to man. It is a young man's business. "Kipling does things with a pen — the admiral bosses ten thousand men." The editor has his influence on the thoughts of his fellow-men. The advertising man furnishes the sinews by which the editor is able to carry on his work of moulding public opinion. He makes barren lands give place to new factories. He gives more than a living to thousands and thousands of people. Ten years ago, the only place you could get a certain article was over the counter of a little retail druggist in Cleveland. Four or five thousand people to-day owe their living to the first small advertisement for this product placed in a national paper within the last ten years.

The advertising man is not restricted in his appeal to one audience. If necessary, he can talk through all

the magazines, all the newspapers, the bill-boards, the street cars, the mails; every channel of publicity is open to him to carry the news of his wares, to mould public opinion to believe in the product he is selling.

Can there be any more inviting field for a young man of enthusiasm? To tell of new products and mould opinion regarding merchandise of all sorts; to help editors reach vaster audiences through furnishing funds with which to gain greater circulation; to create new work for the workers of the world by widening markets; to minister to declining or stagnant enterprises, giving them new life; to turn barren fields into whirring homes of industry; to reduce the cost of selling goods in the line from the manufacturer to the ultimate consumer; — these are indeed substantial contributions in the way of service.

No profession offers better inducements to brains and personality. These two things are prerequisites of advertising, for one must have brains enough to see the vision of widening trade and deepening the channels of opinion, and one must also have the force and personality to show this vision to the manufacturer; and, having convinced him, he must have the endurance and courage to make the vision a vital truth.

The man who swings an arch across a mile-deep gulf, the man who rides his chariot over the avenues of the air, the explorer, — how can we bring them under one category except as pioneers? The regions of advertising have as yet been scarcely staked out,

and the need of recruits is heard on every side. It is the business of life we are in, and our pioneers must be intelligent, persistent, and wide-visioned.

There are two types of sellers of advertising, as there are two types of salesmen in every line, — the man who thinks and the other kind. The man who feels the lure of the business, but lacks the imagination and brains, is being rapidly displaced. The man who goes to a manufacturer and asks, "Anything for my paper to-day?" is being displaced by the man who constructs a concrete plan of advertising and sells it as a proposition worthy of the investment of the manufacturer's hard-earned money.

To be a salesman of advertising, one must answer to the following tests: He must have the inclination and the ability to create ideas of such sensible fiber that they will invite the attention of the prospective buyer. He must be able to win the prospective buyer's utmost confidence, for in no business is there a larger call on the faith of the buyer. He must be of such high personal integrity that he will not build a false plan for immediate gain, and he must have horse-sense enough to know that the creations of his mind have their basis in sound principles. And with these special requirements, he must have all the fundamental requirements of a salesman, such as enthusiasm, sincerity, persistence; and each of these essentials he must have developed to an unusual degree.

AUSTIN H. DECATUR

PRESIDENT, DECATUR AND HOPKINS COMPANY,
WHOLESALE HARDWARE, BOSTON, MASS.

In my opinion, the requisites for a good salesman are character, address, tact, a thorough knowledge of the article to be sold, and enthusiasm.

Character. "Character is not determined by a single act, but by habitual conduct." It is not formed in a day, nor can it be purchased or inherited, but must be planted in early life, and cultivated and ripened into a manhood which will win the confidence of all with whom it comes in contact. Confidence in the seller makes it easy for both buyer and seller. When a buyer has no confidence in the seller, the seller's usefulness is lost, and the goods must sell themselves or remain unsold.

Address. "Address is needed to gain the attention of the buyer and hold it until the acquaintance is made, and then character or the man will hold the confidence of the buyer." A salesman cannot be too particular about his general appearance and personal address.

Tact. "Tact is the judicious use of one's power at the right time." No salesman ever accomplished very much without being tactful. There are all kinds of people to deal with, and one must be able to adapt himself to the person and condition.

All the foregoing are important requisites for a salesman, but they are all lost sight of in comparison with a knowledge of the goods or articles to be sold, and this knowledge can be obtained only by study and hard work. If it be a general line of goods, one must begin in boyhood and spend years of time in learning, not only the goods to be sold, but the general business policy or management, in order that he may be in touch with the whole situation, and do justice, not only to his employer, but to his customer.

My experience with salesmen is that no one has ever been able to learn two or more kinds of business, and be an expert at either. Life is not long enough to master and make a success of many things. We must make a choice of some one thing, and stick to it until we win, and if we are enthusiastic and happy, we are sure to win.

One may know all about the goods he wishes to sell, and yet not meet with any great degree of success, unless he is enthusiastic and able to impart this enthusiasm to the other fellow. No young man of to-day can succeed to any great extent who is not enthusiastic in his business or occupation. In this day of sharp competition, half-hearted, indifferent methods will not suffice.

To sum up the subject, I feel that knowledge of the articles to be sold, and knowledge of the business with which one is connected, are the first great requisites; and enthusiasm which springs from loyalty to the em-

ployer or manager of the sales-department, and for the merit in the article itself, is of equal importance.

To sum it all up, the secret of success in selling goods, as well as in any other occupation in life, is WORK. The world is full of people who are too proud to beg, too honest to steal, and too lazy to work; they are the most to be pitied of any class.

FRED H. TUCKER

MEMBER OF THE FIRM OF FARLEY, HARVEY AND COMPANY, WHOLESALE DRY GOODS, BOSTON, MASS.

Selling goods successfully is an art, and one that needs to be studied as carefully as any of the so-called "higher arts." The necessary preparation may be considered under three heads:

Knowledge of yourself.

Knowledge of your goods.

Knowledge of your customer.

To know yourself, wherein your greatest powers of persuasion lie, what your limitations are; to learn to use your best weapons and discard your weaker ones; and to always be yourself and not try to be an imitation of some one else; are of first importance.

Equally important is it that you should know as much as possible about what you have to sell. The art student must spend weary years studying anatomy, architecture, or engineering, according to the subject

he is to paint. So must the salesman study, that he may say, as did the successful German who was asked why his sales were so much larger than his competitors', "No man can ask me a question about my goods that I cannot answer."

This leads to the third important factor in a salesman's success: "Know your customer." Study him as carefully as a general studies the fortifications he hopes to storm successfully. Find out the conditions that are likely to make him want your goods, also those that will work against you. Study his temperament. If you have an opportunity, learn all you can about him before you meet him, — his outside interests, as well as his business interests. Then, and only then, are you fully prepared to meet him to the best advantage.

With these foundations well laid, last, but not least, cultivate your imagination, — for it is a most potent factor. If selling to a retail dealer, try to see in your mind the goods in his window and on his counters; see the people admiring and buying them; or, if you are selling to a consumer, see him in your imagination wearing or using your goods with pleasure or profit to himself. Get the picture fixed so well in your mind that you can make the customer see it, and your sale is made.

William Morris has said: "Art is the expression of a man's joy in his work." This is as true of the well-equipped salesman as of other artists.

Know yourself, know your goods, and know your customer; and with plenty of hard work you will succeed and get real pleasure from your work. Be an artist in your business.

EMILE PICKHARDT

SALES-MANAGER, GEORGE FROST COMPANY, MANUFACTURERS OF HOSE SUPPORTERS AND "BOSTON GARTERS," BOSTON, MASS.

I once asked a young lady, highly successful in growing flowers, as to her methods. She replied: "I'll tell you a secret, — don't give it away. You must just love them." In disregarding the young lady's injunction not to "give it away," I am giving away at the same time at least *one* of the secrets of successful salesmanship: The salesman must "just love" his work.

So much has been said on this topic by able salesmen that discursive detail would seem superfluous, but it may remain to be noted that the old saying, "Salesmen are born, not made," is true only in so far as ancestral qualities of mind and personality are concerned. Some dominant factors of success in this calling are simply acquired largely by discipline and training in childhood and adolescence, but more particularly by actual experience on the road.

Naturally, under the head of inherited qualities, come native enthusiasm, patience, and a kindly dis-

position. These last-named factors are, in themselves, almost fundamental. The "I don't care," or "That be hanged," spirit is, of course, fatal to success. The man who "goes in to win," regardless of educational, mental, physical, or social handicap, is bound to make his calling at least a comparative success, sooner or later.

It is self-evident that to insure the most permanent success in this vocation, the most faithful and painstaking attention to detail is imperative. Every promise must be kept. No matter how small a customer is, he must be treated with exactly the same courtesy and consideration as a large one. *He may grow*, and if you help him, he will help you.

Absolute honesty is a first requisite in truly successful salesmanship. But to be honest with one's trade, a salesman must believe in his own goods. Every salesman should make himself thoroughly familiar with all points of excellence of his line and *never* allow his faith in his house to waiver. Rather than this, it were better to seek other connections. He should, also, have constantly in view the improvement of his line and keep his house informed of what is "doing," so that they can, by comparison with other goods, keep abreast of the times with theirs.

Some salesmen have such an abundant fund of enthusiasm that they can sell almost anything; but, while enthusiasm is an all-important factor, it does not necessarily in itself constitute *salesmanship;* and,

where there is danger of its leading to misrepresentation, it had better be curbed. Nevertheless, true enthusiasm, when based on absolute faith in one's goods and the integrity of one's house, is as contagious as the measles, and when a buyer and his department force have caught it from a salesman it usually lasts a good while. I have known such cases of contagion to be incurable.

Finally, a salesman must be a *gentleman*, whether by nature or by training, — not a gentleman merely in outward appearance and deportment, but also "*at heart.*" This is perhaps the most important thing of all. It goes deep down under the surface and into the very nature of things. There is something almost magical about the personality of a right-thinking, broad-minded gentleman, who has taken his degree not only in mere goodness, virtue, and form, but who has through the great tests of life been enabled to enter into the heart of humanity, and, by this process, come out beyond and above the mere ethical code, and is daily living in that well-spring of love for and sympathy with all human kind which makes him at once kin with all Heaven and Earth.

A salesman who has thus achieved more than mere smartness or ability, who no longer regards the world at-large merely with the cold eye of personal advantage, if he fortunately possesses the other requirements, may feel absolutely sure of the greatest possible success in this calling, for this last-named quality finds

immediate response in the heart of the buyer. The latter at once senses *more* than mere perfunctory virtue and ability in the atmosphere surrounding such a personality. He senses a *compelling attraction*, a spiritual magnetism, which may always be predicated of a man when he has arrived at the point in his metaphysical growth where the injunction "that ye love one another" is no longer to him an empty formula.

ALLAN C. EMERY

MEMBER OF THE FIRM OF GOODHUE, STUDLEY AND EMERY, WOOL COMMISSION MERCHANTS, BOSTON, MASS.

In order for a young man to become a successful salesman he should first of all have a thorough training of the goods he is to sell, so as to have a better knowledge, if possible, of the goods which he offers than his customers have. He should be frank and honest, and secure his customers' confidence by representing his goods fairly, and should see to it that his deliveries are equal to sample. "His word should be as good as his bond." He should study his man, find out his needs, and see that he has what the buyer wants when in the market.

He should not be small, but waive little points and get a reputation of being liberal. In every possible way he should try to please his customer, — "play the long game"; that is, he should so use a customer that

one sale will mean many, and once a customer is secured, he should see to it that he is never lost.

When the young man makes a mistake, he should confess it quickly, and do the right thing. He should avoid useless argument and remember he is paid to get orders.

He should work hard and ceaselessly, not like a way train that makes sudden dashes and then comes to a stop, but more like a freight train that is continually plugging along, not fast, but keeping everlastingly at it.

He should sell when a customer wants to buy, and not pass him up, and later urge him to buy when his wants have been supplied. When he is thrown down, he should bob up again smilingly. He should be happy and good-natured, and make friends. He should treat the office boy right, he may be the buyer some day.

He should never get discouraged, but have faith in God and man and in himself. He should believe in his goods and in his house, and talk them up with great enthusiasm.

He should cut out cigarettes; the odor of them is offensive to many men, and it has been conclusively proven that they seriously injure a young man's mental ability. He should cut out booze and other evils. It is not necessary to drink to effect sales; on the contrary, a young man needs to have his body pure and his mind clear and alert to accomplish the best results. It is easier to be a total abstainer than

a moderate drinker. He should always be ready to sacrifice pleasure for business, instead of business for pleasure, which is so often done. He should be thorough, and learn to concentrate his efforts where they count.

A good motto to have is: "I can if I will."

ALBERT BERREY

CHIEF-SALES-MANAGER, ISAAC HAMBURGER AND SONS, MEN'S CLOTHING, BALTIMORE, MD.

"I walked four blocks out of my way to come to this store to buy a fifty-cent tie because you wait on me so well!"

This expression I overheard while standing in our neckwear section the other day, and, most naturally, it made me stir and study the cause. The sales-person to whom this remark was addressed was a *master of her stock*. The knowledge this person possessed of the goods coming under her care was a pleasure to behold, as there was nothing one could ask her for that she could not immediately place her hands on.

After nearly twenty years of hard-earned experience, I sum successful salesmanship up primarily under the heading: "I fully understand the goods I handle."

Be a salesman ever so homely, — too large or too small, — even unfortunate as to the command of the English language and possessed of many other faults, if this person will be ambitious enough to "fully understand the goods he handles," his success is assured.

I have seen busy men wait many minutes for a certain sales-person to serve them, and surely for no other reason than that sales-person was capable of explaining in details the whys and wherefores of the articles in question. This not only means that he or she could tell what the fabric was, which article would wear better, what colors would blend better; but the promptness in quickly finding a desired article more than compensated for the possible original waiting to be served by a particular sales-person.

There is a decided air of confidence displayed by people who "understand the goods they handle" that makes salesmanship an easy matter, but beyond question of doubt one must study thoroughly the stock one handles and be able to converse intelligently regarding each and every article brought forward.

This summary, while thus far written of the retail sales-person, holds with equal force regarding the wholesale; in fact, even to a greater extent. Wholesale salesmen invariably call on very busy people, buyers whose every moment is seriously occupied, and he with knowledge regarding his wares is he that wins the prize.

I cannot too strongly urge upon those desiring to be good salespeople:

Study your goods.

Learn your stock.

Know what you are talking about.

And do not trust so much to luck.

THOMAS S. HALL

SALES-MANAGER, HAMILTON, BROWN SHOE COMPANY, MANUFACTURERS AND DISTRIBUTERS OF BOOTS AND SHOES, ST. LOUIS, MO.

The qualities that go to make the great salesman are not different from those necessary to the making of a great merchant. There is an inexorable law governing success in salesmanship that must be respected, and this is the same law that governs all men who are really great. I am not one who believes in its entirety the aphorism that salesmen are born. True, we have different qualities of mental and physical make-up born in us, but the man of average mental and physical equipment may become a great salesman by using as a basis of his work the qualities of character, energy, and perseverance. These constitute the arch of success, the first named being the keystone. In my judgment, it is difficult for any man to be a great salesman who does not possess the first-named quality. He may possess the qualities of energy and perseverance and apply them vigorously, yet in the noise of the battle he can never be heard, for the reason that his lack of character is speaking so loud the trade cannot hear the words his tongue utters. While, if he possesses much character, every word, every act, is productive of results, and this must be so whether

the customer will or not, and this principle must ever be true so long as men live.

My experience has been that buyers invariably are attracted to the big, wholesome, clean, courageous man, rather than to the weak, boisterous, unethical coward.

The most influential tongue in America, to-day, attracts attention, not altogether because of the words uttered, for its possessor is not an orator, but because of the bold, aggressive, moral force behind the words which burn his thoughts into his hearers' minds. These virtues are the same as are being sought by the large business houses, knowing, as they do, that they are judged by the character of their representation. Men possessing these virtues are valuable for the reason that they lift a house onto a higher plane than could be reached, save by the presence of such men, and such are few, not because of physical or mental inefficiency, but because they do not respect the law of success, which demands they shall not hear the siren's song, shall not feel the heat and cold, shall not realize the dark of night, shall not indulge the fleeting pleasures of life, but shall concentrate their minds upon their work until they burn with enthusiasm.

The great salesman must be a student of men, and until human nature changes this will constantly excite his mind, for each day he will come in contact with a disposition new to him, and to succeed he must

be trained in the art of diplomacy, never for a moment forgetting:

"How sweet and gracious,
Even in common speech,
Is that fine sense
Which men call courtesy;
Wholesome as air,
Genial as light,
Welcome in every clime
As breath of flowers;
It transmutes aliens
Into lasting friends,
And gives its owner
Transport 'round the globe."

W. A. HAWKINS

SUPERINTENDENT, JORDAN, MARSH COMPANY, DEPARTMENT STORE, BOSTON, MASS.

MY DEAR MR. FOWLER, — Your favor informing me that you are writing a book on salesmanship duly received, and I want to tell you how glad I am to know that you realize enough the importance of salesmanship to write a book about it. May your tribe increase!

Few people realize the importance of salesmanship. It is an art. I would gladly add dignity to it by listing it among the professions, if you please. Perhaps more discredit has been cast upon this profession than upon almost any other, due to thousands who claim to be sales-people, but who in reality are not.

There is much "Quack" salesmanship in the world.

It is an encouraging sign, however, that people like yourself are realizing more and more the absolute necessity of a thorough training in order to become efficient in this work.

Perhaps one reason why many people have given so little thought to the great importance and dignity of salesmanship is that, like the air we breathe and the sun that shines upon us, it is so common. How little there is in the world into which salesmanship does not enter! Did you ever stop to think of that?

A beautiful picture, through which the artist expresses divine beauty, must be sold. The book, through which the author may change the thought of the world, must be sold (and how hard it sometimes is, artists and authors can tell you), just the same as the common commodities which change hands in the market place.

The Jordan, Marsh Company, intent upon improving service to patrons in the same ratio that other things are progressing to-day, started some time ago a School of Salesmanship, placing their best talent at the disposal of the school. Old and new employees in the store are given instruction.

It is my custom to address each class at the close of the term, at which time I always bring out a point which I would suggest that you make use of in your book.

My method is as follows:

Assuming a serious manner, I say to the class:

"As you are about to enter the employ of the Jordan, Marsh Company, there is one very important thing that you should know, and that is, who is the boss in this store. *Now, who is the boss?*" I ask, pointing to some eager student. The answer usually comes back, "Why, you are." I reply, with emphasis, "Oh, no! I'm not the boss." Again I ask, "Now, who is the real boss in this store?" All are intensely interested now. Positive voices in chorus now proclaim a member of the firm to be the real boss. I say again:

"Oh, no! He is not the boss. *The boss in this store is the customer.* It's the customer that you and I are working for. It's the customer that you and I are here to please. It's the customer who pays your wages and mine. If it were not for the customer, you and I would be looking for a job, and we might not get as good a one as we have here.

"Now, if you are sitting behind your counter, doing nothing, and you see me coming, don't jump up; but if you see the customer, the boss, coming, jump!"

This line of argument always makes a strong impression, and it strikes the key-note of good salesmanship, namely, *satisfactory service to customers.*

Wishing you much success in your work, I remain,

Very truly yours,

W. A. HAWKINS.

DELLA B. BEAN

PRINCIPAL OF THE JORDAN, MARSH COMPANY SCHOOL OF SALESMANSHIP

The department store offers the sales-people unusual opportunities for getting a great deal of satisfaction from the work. This is because of the great variety in the work. The huge, modern department store is a world in miniature. The markets of all countries are scoured for the best kind of merchandise. Almost every conceivable need of humanity is catered to. Then, again, consider the variety of customers. Nothing is more interesting and helpful than the study of human nature, and what greater opportunity could there be for such study than in selling merchandise in a department store? Every customer is a different study, and requires different treatment in order to obtain the best results.

Under the circumstances, what line of business could offer a greater field for enthusiasm? The best merchandise of the world is given the sales-people to sell. In many departments, such as pictures, laces, furniture, china, bric-a-brac, rugs, etc., the highest forms of artistic expression are shown.

We all, to some extent, have a sense of the beautiful in us, and it would be strange if such merchandise did not make a direct appeal to us, and if we did not be-

come interested and enthusiastic about it. The same thing applies to all merchandise in the store. It has different prices, different styles, different materials, different makes. There is a reason for each difference in price. Styles are constantly changing. New styles, popular styles, extreme styles, and novelties are always coming in and going out. Each has its ear-marks, its desirable and undesirable qualities. The history of the production and manufacture of all merchandise is full of interest. Different materials are adapted to different uses for this, that, or the other reason. The range of valuable and interesting information about the goods in each department is without limit, and all the information is easily within our reach, if we are willing to acquire it.

A careful study of the merchandise in a department, comparison of different materials and makes, to note the points of difference, the reading of trade journals, books on special topics, and encyclopedia, — all of which are readily accessible in large cities, — are some ways in which a sales-person can become a store-house of valuable and interesting information about the goods he is selling. Moreover, buyers are always glad to give sales-people the benefit of their long experience and accurate knowledge, if they show enough interest and enthusiasm to ask for it.

A customer comes to your department. He is not antagonistic, and you don't deal with him at arm's length. He comes to buy, and he is glad if you can

satisfy his wants. He comes very often also for information about the merchandise, and is always pleased to obtain it. You, on your side, have the best merchandise that can be procured, sufficient in quantity and variety to satisfy any reasonable demand. You have the utmost confidence in the goods you are selling. You can answer all questions the customer may ask. You can and do explain the different kinds, the reasons for the different prices, why some kinds are better suited than others for particular purposes. You can give all kinds of curious and interesting facts about the merchandise. You size-up the customer, and note his apparent station in life, his age, figure, complexion, probable taste, etc. You adapt your tact, and display accordingly. You note the effect that is being produced on him by the different kinds of merchandise shown. You can judge his likes and dislikes. The evident enthusiasm which you have for your work is infectious. It cannot help but make an impression on the customer. He can now purchase intelligently. He is impressed with your knowledge and honest enthusiasm, and relies on your judgment. He has confidence in you, and shopping to him is no longer a drudgery, but becomes a pleasure. Other customers approach, but they are different customers, of different manner and different tastes. You notice the difference, and adapt yourself accordingly. But your intelligent knowledge and enthusiasm always have the same successful result, — satisfied customers

who invariably seek you rather than the dull, indifferent sales-person in the same department.

Can this work, with all its variety and its interesting features, be called a hardship? Is n't it a fit subject for enthusiasm? And is n't there something radically wrong with the sales-person who is so blind to the possibilities of the work that he does n't seem interested and enthusiastic about it?

I have mentioned the possibilities of the work, which of themselves should arouse enthusiasm in us. There is always satisfaction in doing work in the best possible way, and this feeling of satisfaction is sufficient for doing work well.

But there is another possibility, which in this commercial age makes a strong appeal to most of us. Intelligence and enthusiasm, which make first-class sales-people, also pave the way for more important positions. The interest in our work, and the knowledge of our work which enthusiasm creates, are just what will enable us to rise to buyers' positions. Nothing else is necessary. Sales-people who have these qualities are too valuable to the store to remain long as sales-people. A department store can always get all the ordinary sales-people it needs. The supply is greater than the demand. But a department store cannot always get competent persons to fill the more responsible positions, and is always on the watch for them.

JOHN C. JUHRING

PRESIDENT, FRANCIS H. LEGGETT AND COMPANY, IMPORTING AND MANUFACTURING GROCERS, NEW YORK CITY.

A salesman to be successful must have some natural qualifications, plus energy, stick-at-it-iveness, and tact, combined with reliability. He must understand his business thoroughly and be able to talk intelligently and enthusiastically about his bonds, or real estate, or merchandise, or whatever he sells. Then, if he values the importance of presenting a good appearance, is particular as to his habits, and realizes that he must make himself profitable to his employers as well as guard the interests of a prospective customer, — he is likely to reach the top rung of the ladder in successful salesmanship.

In our weekly meetings we try to impress upon our younger or junior salesmen the importance of neatness in dress, as well as personal appearance generally, of never entering a store with a cigar in their mouth, and of never discussing a subject other than business.

We also endeavor to impress upon the minds of such new salesmen that our house has won its place by reliability, and by never misrepresenting an article and we expect them to follow along this same line.

J. WILLIAM NAYLOR

TRAVELING SALESMAN, THE MENIHAN COMPANY, SHOE MAKERS FOR WOMEN, ROCHESTER, N. Y.; PRESIDENT, THE SHOE TRAVELERS' ASSOCIATION OF CHICAGO

The foundations of a great structure, after the excavations, are very unattractive, and yet they are the vital portion of the building, for its subsequent architectural beauty and adornment. People will pass by, but not until the attractive points are forced upon the attention of the public, will they ever be spoken of. But who would build without a good foundation, except a Fool? The successful business man must build a good foundation, or else his business will crumble; and this follows in all parts of life.

There is a science to salesmanship, which has to be worked out, which is necessary and essential in all parts before a man is a success.

In looking back for the requirements of a good salesman, and judging by those now living, and by some who have passed away, I can recall men of different temperaments, of entirely different ideas, men of different political, social, and religious sympathies; and they were all equally successful, not because they sold to their own types, but because they could count as their friends and patrons men of the opposite type, because they had certain marks in their natures that

stood out differently from other men. These "nature marks," as we may call them, were the foundations. The edifice of this type of man can never be shaken. It is built to stay, on the solid rock.

The essentials to this character can never be assumed or copied. They do not belong to the penitent; they must be the original, which can never be counterfeited. I should place them:

First, truthfulness. There are usually two ways of lying in business, — one is to lie audibly, and the other is to keep still when we ought to tell the truth and act the lie.

It sometimes takes nerve to tell the truth, but it always wins out.

The second essential, I believe, is promptness. So many days have been lost to a salesman by the tardiness of buyers! A man who has no regard for promptness is already a failure, and there is no excuse for a salesman's being tardy because somebody else is. A salesman should regard his dates the same as catching a train.

I believe industry should fit into the third place. To make good at any vocation, we have got to work. In this age of hair-splitting competition, the "race is to the swift," and the man who gets at them early and late is a sure winner, in competition with the man who indulges in quantities of slumber, if he has the essentials.

Cheerfulness we will name for the fourth place.

Were you ever down, away down, when death was almost welcome? A somber friend calls, and you have his sympathy. A cheerful friend calls, and you have his inspiration.

It is in understanding men that a salesman makes his mark in life, saying the right thing at the right time, saying nothing when there is nothing to say, being aggressive when there is something to get, standing by an absent friend, — all these come into a salesman's life.

The first duty a salesman owes to his employer is to fully understand the product of his employer, and then sell it just as his employer would sell it.

We are all inclined to put our own personality into our sales, instead of putting our personality into our employer, and, through him, into the product. A salesman should always remember that he is the middleman between his employer and his customer, and that what he says and does create a binding influence or cause a breach.

I believe, with all sincerity, that if a salesman will stick to the essentials, he cannot help being a success.

GEORGE H. BARBOUR

VICE-PRESIDENT AND GENERAL MANAGER, THE MICHIGAN STOVE COMPANY, DETROIT, MICHIGAN

The requisites of a good salesman, in the opinion of the writer, consist largely in his personality. There

are other requisites, of course, but one taking the position of salesman and representing a line of goods (I care not in what particular line) must have a certain personality, especially if he is a stranger to the merchants he is to meet, so that he may leave the right impression.

I am one who believes, to a greater or less extent, that the qualifications to produce a good salesman must be born in him, the same as the talents of a professional man, such as a musician or actor. He must feel an interest and like his work. If he succeeds, he must leave the correct impression on his first visit; and if he fails to get an order, this impression will be lasting, and sooner or later he will succeed in doing business with the merchants he calls on.

He must at all times represent the line of goods he has just as it is, so that when the merchant receives the goods he has ordered from him, he will find them just as represented and fully up to the recommendations made by him. If he fails in this, he will never succeed in continuing business relations with any merchant to whom he misrepresents.

He must be upright, honest, and reliable in every respect, and the success of the salesman must be along these lines. He must, at the same time, be straightforward with the firm he is representing. It is a great mistake for him to become too extravagant in his expenditures. I do not believe in a salesman trying to be economical by stopping at cheap hotels, just the

reverse; for he should always endeavor to assist his business by stopping at the leading hotels; he should make the acquaintance of those who are his equal, and those representing large concerns, men who are holding high positions and demanding the highest respect of the merchants with whom they do business. In this way one salesman can often assist another.

Another very important point for the salesman representing any concern is to live up to his instructions to the letter of the law. Many houses have their own ideas as to the way their goods should be marketed, and instruct their salesmen along these lines; and the salesmen should carry out these instructions to the letter and never depart from them unless in their experience they find certain conditions can be improved by so doing, and then they should explain them to the house they represent.

His main aim should be to succeed, and not only benefit himself, but the firm he represents. He should take sufficient time to accommodate the convenience of the merchants with whom he expects to do business; not to hurry them in any way, but arrange his time to accommodate that of the buyer.

There is one thing the salesman wants to do, if possible, and that is to leave just the right impression, which is sure to give him the preference, so that when he again visits the town the merchant will await his coming, give him the orders and a preference over

other salesmen. This is a strong point, and one that will tell in the end.

I have endeavored, in a condensed form, to give you some ideas on this subject. I could go into details more fully, but believe I have said sufficient and given sufficient ground, which, if followed by any salesman, will bring success to him if he has the natural ability to make him a good and profitable salesman.

CHANDLER W. SMITH

MANAGER, WHOLESALE DEPARTMENT, HENRY F. MILLER AND SONS COMPANY, PIANO MANUFACTURERS, BOSTON, MASS.

In starting out to become a salesman one must be honest and have an honesty of purpose in order to acquire REAL SUCCESS.

That word "Success" is a broad one, and is interpreted in different ways. In order to impress the importance of this firmly upon your mind, I am going to give you an illustration:

Not long ago I was visiting a large Western city, and as I went to the hotel dining-room for my breakfast, I bought a morning paper. I was informed that it was the largest and most reliable of all the papers published in that city. Prominent, on the first page, was an obituary notice of a man who had been the managing head of an enormous corporation, and enjoyed the reputation of being one of the brightest and most able

men that our country possessed. On the editorial page of that paper I read a two-column article giving the history of his business life. The article gave him credit for his accumulation of many millions of dollars, and then criticised him right and left for his unfair and unprincipled business methods.

I believe that article voices the sentiment of every honest person who was familiar with the business career of that great financier, and it should be a warning to you and stand out prominently before you as a danger signal labeled "Failure!" It should impress upon your mind that there is something else besides the accumulation of the Almighty Dollar to constitute a truly successful business life.

You should have implicit confidence in the goods you are selling, and treat your customers as you would like to be treated in return. You should study human nature, as hardly any two customers can be handled successfully by the same method. Obtain the confidence of your customers by taking a special interest in them. Recommend to them the article that you yourself know will be the most satisfactory, and be sure that you are giving your customer full value for money received.

You should be courteous and polite at all times and under all circumstances, and if possible take more pains with your customers after the sale than before. You should never sell an article for a higher price than it is marked to be sold for, thinking that by so doing

you will gain the good will of your employers. If you do, and your employer is honest, he will insist that you refund to your defrauded customer the full amount of the over-charge, and inform you, with emphasis, that if the act is repeated it will cost you your position. I know of no truer saying than the following quotation: "First of all to thine own self be true, and it will surely follow as the night the day thou canst not then be false to any man."

You should familiarize yourself with the qualities of your competitor's goods, but never speak ill of your competitor or his goods. That custom is too often adopted, and the result is like the gun that kicks backward, does more harm to the salesman than to the competitor. You can employ every moment of the time that your customer can give you to much better advantage by explaining the merits of the goods you are selling.

Be sure your customer understands fully the conditions of the sale. If interest is to be charged, see to it that your customer fully understands that fact, the rate of interest, and when it is to be paid.

Remember that there is nothing more annoying to your employer, or harmful in fact, than to have a dissatisfied customer.

I have only submitted a few fundamental principles of salesmanship. If what I have said will be of any assistance to you, my efforts will not have been in vain.

In closing, I want to impress upon your mind that "Truth is a Divine Attribute and the Foundation of Every Virtue."

HUMPHREY O'SULLIVAN

TREASURER, O'SULLIVAN RUBBER HEEL COMPANY; PROPRIETOR, THE MERRIMACK CLOTHING, LOWELL, MASS.

You ask me how to describe the ideal salesman. The ideal salesman meets you with a glad hand, if he knows you; if he does not know you, he greets you, and while he is entertaining you in conversation he is digging through your mind, — who you are and what you want.

The ideal salesman! To be a salesman to-day means to be a gentleman first, of resourcefulness, intelligence, and tact; and, while I do not claim any of those accomplishments, I have been a salesman for over a quarter of a century and I know whereof I speak.

A salesman! In my estimation, a salesman is born and not educated. Every great success in this country represents as its head a salesman. If he were not a salesman, the firm would not be a success.

There are more salesmen in name than in fact. All that I can write upon the subject of "Salesmanship" is to tell each one who intends to be a salesman:

Throw your entire heart and ambition into the busi-

ness with which you are associated. If you cannot do that, you are simply a machine.

You must master and remember every article that is in your department. If you are "classy," and if you really understand the business that you are associated with, you will have to sell your customer the highest class of goods in your department, because of the manner in which you describe the goods and the interest you show to your customer. Cheap goods sell themselves, but it requires a salesman to sell high-class goods.

Salesmanship consists, first, in kindness, honesty, and politeness; next, in making the customer understand that the goods that you have for sale will benefit him to own them. And when I say that, it tells the whole story of salesmanship, in advertising or selling. The man, who does not carry out this plan, fails. You need to make the other fellow think, either by talk or print, that you have something that it would benefit him to own.

Selfishness! Do not tell him that you want him to get anything because you want to sell it, but tell him that he should buy it because it will benefit him to own it. The man who knows his stock, and has his heart in his business, will sell the goods; but he must not show by his action to the customer that he wants to sell, that he is hungry to sell. His cleverness will come in by making the customer believe that he ought to own what he has for sale.

DAVID M. PARRY

PRESIDENT, PARRY AUTO COMPANY, INDIANAPOLIS, IND.; EX-PRESIDENT, NATIONAL ASSOCIATION OF MANUFACTURERS OF THE UNITED STATES AND THE CARRIAGE BUILDERS' NATIONAL ASSOCIATION

There was a time, not long past, when the "drummer" was generally accepted as a common rogue. To-day he must be a gentleman in the truest sense. Then he swapped drinks and hot stories; to-day he passes out engraved cards and discusses the psychology of the trade. The problem now before him is that of a dual existence, a sort of Dr. Jekyll and Mr. Hyde life confronting him, whichever way he may turn. And, unless he is blest with the best in man's makeup, he is doomed to a double rôle, for on the one hand he protects his personal interests along with the employer's, and on the other hand he protects the customer's interests to get more business.

Now you can see how impossible it is to fill this dual position when things begin to conflict. Everybody lied whitely. The salesman made claims for his goods that were based more on eager desire than on fact. The customer begins stretching the truth from the point where the salesman left off, and in the Divine Law of Compensation gets everybody into trouble. Then it is up to the salesman to adjust affairs to the

satisfaction of the employer or he loses his job, and to the satisfaction of the customer or he obtains no more orders. And the devil laughs while our salesman flips to the advisability of jumping from the frying pan.

Right here I want to suggest the substitution of the Truthful Triangle for the Square Deal. Place the employer, the salesman, and the customer on the points of an equilateral triangle, the sides of which shall be bounded by lines of truth, and you have demonstrated the only methods business can ever follow. Turn the Truthful Triangle whichever way you will, and you have always the same proportions. The salesman knows for certain that the sides which support him, one leading from his employer, the other from his customer, are equal as respects Truth. He gives out his facts accordingly.

So our salesman must not only be a gentleman, but he must be a veracious one. His funny stories and red bottles are mildewing on the shelf where good judgment had grown so dusty. Just good, honest horse-sense is all the employer wants. My experience selling goods on the road soon taught me that before I could ever succeed I must have ability to control myself. One customer wants to take a drink with you, another a smoke; this one desires dinner at your expense; that one a theater ticket. Though the customer expects this as his due, yet the employer will not carry this extra expense, while the salesman cannot.

I soon discovered that if I avoided beginnings there

was not the continual worry. "Habit at first is but a silken thread. Beware! that thread may bind you as a chain." Habit, little by little, slyly and unperceived, slips in the foot of her authority, but having established it, she then unmasks a furious and tyrannic countenance against which we dare not raise our eyes. Providence smiles kindly on the salesman who guards himself and his employer from these impositions. You see the customer is trying to spoil our Triangle by acquiring greater length to the side he represents. And the strength of figure means, "Together we succeed, divided we fail."

Now I have piled obligations on our salesman until he is an honest gentleman of habits. He is paid money to hold down second base on the Truthful Triangle, and there we have him smiling out friendly sunshine and glowing with faith in his goods.

EDWARD W. POPE

EX-TREASURER, POPE MANUFACTURING COMPANY, "POPE-HARTFORD" AUTOMOBILES AND "COLUMBIA" BICYCLES, HARTFORD, CONN.

The question is often asked, Can a salesman be successful and always tell the truth? Some men tell the truth because it is right, and, therefore, need no advice. Others think it sometimes pays better not to tell it, and it is to the latter class that I appeal.

My experience in business of over forty years has en-

abled me to observe many instances where a business house has built up a reputation, and kept it, because it would not allow its salesmen to deceive their customers. I remember discussing the matter with a man who admitted that he deceived his customers. I asked him if he thought it paid, and he replied, "Yes, I think it does. There is a sucker born every minute, and I can find plenty of them." But he did not succeed, for his customers not only did not return, but they told their friends, and the result was that his trade dropped off and he went out of business.

Another very common mistake is to run down your competitors' goods. If you cannot speak well of them, say nothing. Many a salesman has lost his customer by doing it, as the average man believes in fair play and will favor the "under dog."

Usually a salesman must make his customer's acquaintance, and sometimes his friendship, before he can sell him; and he would certainly be very unwise to resort to deception and thereby lose all he had worked hard to gain.

Methods of doing business have changed greatly since the department stores adopted the return of goods not satisfactory. This plan made it not only unnecessary to deceive, but to do everything possible to satisfy the customer, which, of course, includes telling the exact truth. This change has affected many other kinds of business.

If a business house or corporation intended to make

all the money it could in a few years, and then go out of business, it might pay it to let its salesmen misrepresent; but, as a rule, fortunes in business take nearly a lifetime to build, and, in the long run, if not in the short one, it pays to be truthful.

If the manufacturer is truthful through his manufactured articles, of course it is easy for the salesmen to be truthful in selling them. If the manufacturer makes a dishonest article, then the salesman should not pledge himself to sell it.

It takes a long time to make a reputation for a manufactured article; it requires constant watchfulness to keep it; and it is very easy to lose it. It is just the same with a salesman's reputation.

FRANK S. CHICK

VICE-PRESIDENT, THE JOHN H. PRAY AND SONS COMPANY, WHOLESALERS AND RETAILERS OF CARPETS, BOSTON, MASS.

A salesman's best asset is knowledge of human nature.

The great salesman is an even balance of knowledge of human nature and of his business, but, of the two, the former is the more important.

Out of this equipment, and two good-sized "Don'ts," salesmen are made.

Don't talk too much; be a good listener.

Don't make mis-statements.

Of course, I presume that you are going to be polite and decent, for you have to have these to make friends with even a yellow dog. How much more are they necessary when you have something "really worth while" in hand?

I have known of successful salesmen who took a drink when they liked, and smoked in a customer's face, whether the customer smoked or not; but I have known far more who did not, and somehow or other this latter class are about longer and keep out of the graveyard.

It is about all summed up in good manners, good-nature, and good sense.

ROBERT J. MIX

MANAGER, ORDINARY DEPARTMENT, NEW YORK CITY OFFICE OF THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

That the salesman should be thoroughly familiar with his wares, that he should understand human nature, that he should know when he has talked enough, that he should be neat and cleanly as to his person, — these are facts that are patent to everybody. The statements are axiomatic. Therefore, in this brief article, let us take higher ground, let us look for a moment at the moral side of "Salesmanship," for no man can be called a good salesman who achieves temporary success at the expense of the RIGHT.

It is of the utmost importance that the reader should agree with us at the outset that the ability to dispose of a large quantity of goods does not necessarily make a man a good salesman.

One who misrepresents his goods, or induces his customer to purchase under a misapprehension of the terms of the sale, is not a good salesman, no matter what the size of his orders; he's a bad salesman, and a bad salesman is not only an undesirable employee, but he is a most objectionable citizen, for he tends to undermine that which lies at the foundation of all good salesmanship and real prosperity, namely, public confidence. One salesman who has sold a bill of goods through the practice of deceit or misrepresentation of any kind makes trouble for all the good and honest salesmen who come after him.

Goods which are not sold on their merits had better never have been sold at all, for the sale is of no ultimate benefit to the concern that the salesman represents, and no business house or corporation can afford to retain in its employ what is commonly known as a "slick" salesman, one who resorts to trickery of any sort with customers.

It cannot be denied that a salesman is frequently confronted with the temptation to take advantage of the customer's ignorance, but it is a temptation which must be resisted, if the salesman expects to make healthy and lasting progress in his vocation. By adhering rigidly to the truth, he may occasionally lose

a sale; but, on the other hand, he has no chickens coming home to roost, he has no dissatisfied customers. He can look men in the face, conscious of his integrity; he will gradually, but surely, build up a reputation of the right sort, a reputation for reliability; he will be known as a man whose word is as good as his bond, and, if he is industrious, he may feel assured of success.

The salesman should be a man of smiling countenance and a kindly heart. Human nature loves sunshine, and customers like to trade with the man who wears a smile and who breathes the spirit of geniality. Is it not so with you, reader? Have you not often visited a store in which you have declined the proffered services of a number of clerks in order that you might be waited upon by a particular salesman who had won you over by his painstaking, good-natured manner, and by the apparent truthfulness of all his statements? Of course, you have, and if this is true of you, it is true of others. It is true of practically all of us.

A good salesman will never make slurring remarks about a rival concern, nor will he permit himself to sell a customer more goods than the customer needs. The man who makes either of these mistakes has done more harm than good to the house which he represents, he has done something which may result in the loss of that customer's trade for future years.

Finally, and in general, honesty in the broad sense, honesty of purpose as well as honesty in practice, is

not only the best policy for the salesman, but it is the only policy which he can follow if he expects to become a "good" salesman.

P. A. BEST

MANAGER, SELFRIDGE AND COMPANY, WHOLESALE AND RETAIL MERCHANTS, LONDON, ENGLAND

Industry. First of all you must have the desire to do well; you must bring into this business all that is best in your home training. You must be industrious, for in the ideal condition that I am imagining there is no room for idle people, and every moment that is wasted by each individual is a great loss of time and opportunity.

Honesty. You must be honest in all that you do and say, scorning to be untruthful, having far too much self-respect to be dishonest in the slightest detail. It is dishonest to take away from this store, or to use for your own purpose, without permission, the least expensive of the supplies that are from time to time provided for your various departments or sections to wrap merchandise in or for you to use in the discharge of your duties. The pen that is supplied to you is not your own property; the string that you use for tying parcels must not be used for your own purposes. All these little points help to build up scrupulously fine characters.

Perseverance. You must be persevering, and al-

though it may be difficult for you to accomplish many things that you set out to do, if they are worth accomplishing, you must not lay them aside unfinished because you are not able to surmount the difficulties as soon as you would wish. The putting off of the completion of any task is always a dangerous thing to do. Do not procrastinate, for "Procrastination is the thief of time"; but the qualifications of perseverance will help you to keep trying until finally you must succeed in doing that which you are attempting.

Thoroughness. You must be thorough: do not handle your duties in a light manner; do not be content with surface service, — *i. e.*, apparently doing the task that has been set you, — for this is not sufficient. Do it in such a way that you know it cannot be done better, — that is being thorough. If you have received instructions how to perform a certain task, endeavor to find even a better way than you have been told; — always be thinking of better ways and better means of carrying out your daily work. This is the cult of thoroughness, and will be one of the strongest factors in your business success.

Punctuality. "Punctuality is the soul of business," for the care and forethought which make you careful to be punctual are the very essentials that will carry you through other duties. If the morning is foggy, leave home that much earlier, so that you may be able to catch the train that leaves before the one you usually catch. Abhor excuses, and endeavor to be

independent of even climatic conditions, for by studying this you will be placing yourself under self-discipline, which will make the more serious tasks that you will have to face when you get older very much easier to accomplish.

Courtesy. Be courteous, for there is nothing that appeals to that which is best in us more than the courteous and kindly treatment we receive from those associated with us or with whom we come in contact. A pleasant smile, a kindly manner, will often win where sterner methods fail. It is good for each individual to cultivate this attribute, for it is one of those that in the practice brings as much gratification to those who acquire it as to those who enjoy its influence.

Cleanliness. It is hardly necessary, perhaps, to remind you that cleanliness in person and habits goes hand in hand with the characteristics that up to the present time I have enumerated as being essential to bring about an ideal condition under which to work.

Loyalty. Loyalty is the groundwork of good service, for one cannot give faithful service and discharge those obligations that every one undertakes when accepting employment, without being loyal. Do not talk about your house of business or criticise it in any manner, except you do so in the interests of the business and to those whose positions of authority enable them to accept and deal with the criticism in the manner to which it is entitled. The business demands

from you that same loyalty that you should show towards your parents' house. If you were to see in the conduct of your household any action of any individual member that was displeasing to you, you surely would not speak to your friends or neighbors and criticise this fault, you would immediately go to one of your parents and make a criticism; but to make this to those not connected in any way with your home would be an act of disloyalty. Therefore, the same applies to the business house, for this is your business home, and as long as you accept service in it, the house has a right to demand from you unswerving loyalty.

Imagination. Another characteristic which, if properly cultivated, will assist to make an ideal condition possible, is the cultivation of imagination. "Imagination sets the goal, and industry and perseverance are the stepping-stones that carry us towards it," and so set your goal as soon as you commence your business life. Do not be afraid of aiming too high, for as sure as you set your goal so will you endeavor to find ways and means of achieving the tasks that you have laid before you. Let every one look to the highest places on the management, and then let it be his daily endeavor to so conduct himself in the discharge of his duties that he may be gradually laying the foundation stones on which ultimately to build a successful business career whose final goal at least shall be the best post that the house can offer him. Imagination finds

new and better ways of doing things. If you cultivate the habit of thinking, your imagination is its nearest partner. Be constantly thinking of some new way of using the systems of the house. Try to imagine another method for charging up merchandise other than the sales-book. Who knows but that it may fall to you to revolutionize what is to-day the most important item in the transaction of any retail business, the use of the sales-book; but unless you exercise your imagination, and are constantly thinking how much better you could do things, you will not be likely to achieve this desired distinction.

Discipline. I would like to emphasize the necessity of strict discipline being maintained by all ranks, — in any organization and in any sphere whatsoever, — for not only is it necessary that discipline, which means unhesitating obedience to those in authority over us, faithfully discharging all orders and instructions received, respect of rules and regulations and strict obedience to same, but there is a discipline thrust upon us by Nature, the respect of which means health, for even with our own bodies we cannot ignore the laws of Nature which urge us to be obedient to its discipline, and whatever part of Nature we look to we find the same discipline is insisted upon, and any breach of this always brings ultimately its automatic punishment: therefore, in a business it is vitally necessary to its well-being that all members should readily maintain the chain of discipline from the highest down

to the lowest. I, myself, have never forgotten the twelve months that I was privileged to be under the discipline of the regular army in South Africa, and I can fully appreciate that without discipline an army would become a rabble, — useless for attack or defense. There is nothing unmanly in the implicit obedience that the discipline of the army insisted upon from me, because I appreciated its necessity; and so I wish you to appreciate the absolute necessity of your maintaining strictly and unhesitatingly the discipline of the house.

Personality. Personality is an influence exercised by one individual over his fellow creatures. It is difficult to define, yet it is easily felt. It is the effect upon our minds of an individuality that appeals, attracts, and exercises an indescribable influence. Let me use the life of individuals, who possess this charm of personality, who are known to you if not by sight at least by reputation, people of whom you have read if not seen. Let us take the personality of our late King: the influence that he wielded was the influence for peace. He was not aggressive; he was called by our friends in the United States the First Gentleman in Europe. He won for our Empire treaties and peaceful relations with Great Powers, that in my opinion will be before long mighty factors in retaining for us the proud possessions that we hold to-day. At a time when the French nation and ourselves were in no way on a friendly footing, King Edward went to Paris,

and, by his wonderful personality, the charm of his temperament, paved the way to what very soon afterwards became a complete and friendly understanding between the two nations.

Now think what it would mean if every one connected with our house, by the close study of these attributes that I have set forth, by honest endeavor and determination to take the fullest advantage of his opportunities to-day, were to build up each his own individual personality! We should have an organization that would indeed become a national institution.

R. A. WALKER

SALES-MANAGER, A. SHUMAN AND COMPANY, MANUFACTURERS AND RETAILERS OF CLOTHING, BOSTON, MASS.

The fatal obstacle which bars thousands of retail salesmen from advancement and large success is the deadening rut of commonplace daily habit, both physical and mental.

The man who falls into a rut, without the grit and stamina to force himself out, is surely doomed. He not only becomes machine-like in his thought and action, but eventually narrows his mental horizon until it is bounded by the closing bell and the weekly pay envelope.

Thus he entirely loses the ability even to form the

mental picture of success which must precede the actual performance.

Every retail salesman worthy of the name does certain important things:

He studies his stocks and keeps them in perfect order.

He is courteous to his customers, while using all legitimate means to make every possible sale.

He is regular in his hours and careful in all details of his work.

But these things, excellent in themselves, will never give him the high unusual success we all desire, — for if he is content with simply doing the usual things well, he is in danger of being benumbed by daily custom and of slipping into the rut of daily habit.

To keep out of the rut he must do the unusual things:

He must strive for originality.

He must suggest, if possible, improvements of methods, new arrangements of stocks and departments.

He must make all hours business hours; doing personal missionary work continually to increase his list of customers.

He must take infinite pains.

For example, — if he has definitely promised to deliver goods at a certain hour, the man who is keeping out of the rut will personally make sure that those goods leave the shipping room as promised.

There are a thousand and one differences of this

kind between the unusual man and the good routine man, and the salesman who successfully strives to lift himself above the ordinary, and to keep himself out of the rut, will reap the resulting benefit just as surely as light follows darkness.

P. V. BUNN

MANAGER, MAIL SERVICE DEPARTMENT, JOHN WANAMAKER, DEPARTMENT STORE, NEW YORK CITY

The word "Salesmanship" has been written so many times, and by so many pens, that I hesitate to comply with your request to tell you what it means to me. When I got your letter I pulled out Volume "S" of the Century Dictionary as a starter, and I was surprised to find no mention of the word in that book! On the other hand, dozens of writers have told what salesmanship is and how it may be acquired.

But the more I hear, and see, and read of salesmanship, the more I feel that *hearing*, and *seeing*, and *reading* of it will never *create* it.

Now, treatises covering the details of salesmanship are good things, but the student should remember that he can never make a salesman of himself by any instructions from the *outside* unless the real desire and determination to do so have been created *within* himself, and *by* himself, and *for* himself; and if a man has well and truly done that, he will need mighty few written rules to go by. It depends so much, — as in

most every activity in life, — on that sixth sense, that *Grasp*, which only one in ten seems to possess.

Take a counter salesman in a big store, for instance: Did you ever go to the same counter three times without knowing thereafter just which salesman you preferred to have wait on you? And yet the selected one may have seen the least service of any. But he *started right;* he was personally anxious to please you, — he was glad to see you; he had looked forward to your coming, and had prepared himself for it. He had learned more about his stock in three months than some of his mates ever would learn. And if you asked a question that he could not answer, he showed real solicitude about it; he let you feel that it was a *proper* question to ask, and he hurried to the aisleman and got the information; and you went away feeling a warm glow in your heart for the way he had treated you, and a resolve to trade with no one but him at that counter in the future. And, to-day, you would walk ten blocks out of your way to deal with that salesman.

The point I am making is this: That clerk had more *Real Salesmanship* in his cosmos, without ever having heard the word defined, than the majority of the experienced ones, even though they may have learned "by heart" all printed or written rules on the subject.

Our man started right by *longing to be a success*, and with the knowledge that the customer must be pleased, and satisfied, and gratified.

Salesmanship means the art or science of convincing another that it would be to his interest to exchange his money for whatever commodity the salesman has to sell.

The qualities that make the salesman deal with you in a way that gratifies you, all combine to make the salesman's *Personality;* that is the one word that best defines the true basis of salesmanship. But that word means so much; it means Tact, Gentleness, Sympathy, Interest, Enthusiasm, and Intelligence, all coupled with Good Business Common Sense. But if you are unfortunate enough not to have a goodly share of those qualities, you will never be a *real* salesman; in which event, if you insist on being a salesman anyway, you will have to fall back on the written rules as your sole equipment.

After we agree, then, on what must be the *basis* of success, no harm can come from studying the details of language and gesture, and certain psychological principles, which will give finish or polish where they would fail to create.

A good actor must study his "business," even after having demonstrated that he has the personality necessary to be a good actor; but the "business" alone would make him a very poor actor.

When we get into the field of these details, there are thousands of them. But the most important thing to learn is never to try to sell a thing that you do not believe in yourself, because *Sincerity* is bound to be

felt. Without it you lose your own self-respect, then your confidence, and then your success.

In the next place learn that even a crank can keep on talking, but that it is the wise man who knows when to stop.

The salesman who can so adjust himself as to be able to hang on to his "prospect" to the finish, without boring or making him mad, is bound to succeed.

GEORGE C. WARREN

PRESIDENT, WARREN BROTHERS COMPANY, CONTRACTORS OF THE "BITULITHIC PAVEMENT," BOSTON, MASS.

NOTE. — Although Mr. Warren's article appears to refer largely to the selling of pavements, it covers in reality the entire field of selling commodities to towns, cities, counties, and states, — a class of business which has assumed enormous proportions and is growing very rapidly. What Mr. Warren says about pavements applies to almost everything sold to other than business houses.

There are few commodities, the successful selling of which requires more high-class representation, more sound business judgment, and more varied qualifications than street pavements. Each customer is the whole taxpaying public of a municipality, with all the varied opinions its members hold.

The successful salesman should not only thoroughly know his own pavement but the various competitive pavements. He should have sufficient knowledge of engineering and municipal contract law to be able, as he is often required, to advise municipal engineers,

attorneys, and other officials, to the end that all proceedings shall be in strict accordance with the law and best practice.

Contrary to what the writer believes to be the popular idea on the subject, there are few lines of business in which competition is more keen and in which the salesman has a better opportunity to display his genius and exercise his mental activities. He should have a generally pleasing address and be able to converse understandingly on general topics of the day and to meet men and women in high as well as low stations in life and to be "at home" with all. He should be able to intelligently converse with the individual or address a public meeting in a manner which carries conviction with what he has to say.

All pavements have merit. Most pavements have some features in which they excel all others. All things considered, some are best for some conditions of traffic and other physical conditions, and others best for other conditions. It is a part of the essential duties of the salesman to quickly perceive the conditions and determine whether or not his pavement is most suitable for any particular case and be as frank in advising that another pavement be used if better adapted for the street as he is insistent that his pavement will give the most satisfaction under conditions for which it is best adapted. Intelligent consideration and prompt action on the part of the salesman on this important point avoids getting himself and employer committed

to undesirable propositions. Salesmen are apt to feel when they frankly acknowledge that a pavement is not best for any condition that the public and competitions will seize on that as an acknowledgment of general inferiority. In the writer's judgment and experience frankness in such, as in other matters, yields the best results in the long run.

To enable him to answer argument and intelligently answer questions, the salesman should be familiar with the merits, demerits, and history of all kinds of pavement and paving materials, and while vigorously presenting the merits of his own material, he should be careful not to exaggerate and over-state them, and equally careful to be fair to his competitors' wares. Above all, he should avoid "knocking" or unduly referring to the misfortunes of a competitor. Uniform perfection in any engineering construction is impossible, and when, as they often do, salesmen have more to say against a competitor's than about their own product, they generally create a lack of confidence in the minds of the customers, who, as a rule, do not care to hear what a salesman has to say against a competitor.

A part of the qualifications of the successful salesman is to have a general knowledge of the laws and customs in other cities and to advise what form of law and method of assessment is best and safest. It frequently happens in cities, which have not done paving before, that either the city attorney, engineer, or other official starts something irregular in the form of proceedings,

assessment, specifications, or contract, which, if consummated, would endanger the legality of the whole proceedings and contract. The salesman must know what is right and what is wrong, and then, most diplomatically, call attention to the error and advise how to correct it. He must know enough of finance to be able to intelligently advise the taxpayers and officials how to proceed, — how other cities do it.

The salesman should studiously keep out of partisan politics. He needs the friendship of all, and, even under the enticement of temporary advantage, should avoid making enemies for the future by becoming a partisan in politics.

If the salesman represents a bituminous pavement, he must know sufficient of the chemical constituents and physical properties of bitumen, both as to his own and that of his competitors, to intelligently represent his material.

The best thought in street construction of the last seventeen years (the life of patents) is generally represented by patents. If the salesman happens to represent a patented pavement, he must have a generally correct knowledge of the fundamental principles of patent law, and also of municipal law with respect to its application to patented articles in connection with the general laws regarding competition.

In many places payments to paving contractors are made in municipal bonds or assessment liens. When contracts provide for cash payment, the ability of the

municipality to meet its obligation often depends on the salability of its bonds. A first-class salesman, therefore, should have added to his other accomplishments a good knowledge of finance and real estate values and should investigate these matters to the end that he does not load his employer with a lot of unsalable securities or contracts on which he cannot realize the contract price.

As stated above, few businesses are subjected to more keen and aggressive competition than the street-paving business. This may not be so as to any particular kind of pavement, but all kinds of pavements are sharp competitors of each other. The representatives of all are keen for the business, — a condition which necessarily regulates the prices and quality of workmanship. Except in very extraordinary cases, one cannot get an exorbitant profit for his work, and if he attempts to do so he will find his competitors "on the job" with another kind of pavement, perhaps not so good but answering the same general purpose, at so much lower price that the exorbitant profit man will find himself "in the cold."

The salesman should not only be able to advise on matters referred to above leading up to the construction of pavements, including the materials to be used; laying out of the street, including lawns, parkways, shade trees, etc.; but also how to care for the pavements, — how to economically clean and repair them, after they are laid. He should be well read and up-to-

date on all matters pertaining to his and his competitor's business and able to hold his own in any public or private argument on the subject.

Finally he should be a "hail fellow well met," always sober, industrious, and economical, but not penurious in his expenses. When a salesman is noticed to be extravagant in his expenses and mode of living, the public quickly reaches the conclusion that the profits of the business must be excessive, however erroneous the conclusion may be and however difficult it may be for his employer to meet the expenses out of the revenues from the business.

F. P. SEYMOUR

SALES-MANAGER, L. E. WATERMAN COMPANY, MANUFACTURERS OF FOUNTAIN PENS, NEW YORK CITY

Advertising has lessened "the strength of the cry" from the drummer of old to the salesman of to-day. In the process of standardizing products of manufacture salesmen also have become standardized.

The successful salesman of to-day must be a well-read, forceful, honest, polished man, who can meet intelligent dealers on the basis of assisting them to increase their annual business. "Ways and means salesmen," or those with the creative force, have taken the place of the drummer, who formed his acquaintance with a dealer, supplied his merchandise at the highest price possible, shipped it into his dealer's store, and then

left him stranded to dispose of his stock to the best of his ability.

Price standardization has left little opportunity for salesmen to supply goods at more favorable prices than might be first quoted. With the purchase price and the retail selling price regulated, the margin of profit is established, as is done with the leading staple lines of to-day. The salesman's effort comes extensively to the front, then, to make the dealer's business sufficiently large to afford a desirable trade on a fixed profit.

Advertising *has* regenerated salesmanship, but has not minimized the importance of the selling department.

We look for greater changes in the era of salesmanship in the next decade than in the last.

INDEX

Academic Education of the Salesman, The, 231
Acquainted with the Customer, Getting, 103
Advising the Customer, 157
Afraid of Yourself, 162
Agents, Book, 226
Ainsley, John R., 241
Antagonizing the Customer, 97
Appearance, Personal, 108
Approaching the Customer, 77

Barbour, George H., 281
Bean, Della B., 274
Being Afraid of Yourself, 162
Bennett, March G., 251
Berrey, Albert, 267
Berrien, James G., 254
Best, P. A., 297
Book Agents and Canvassers, 226
Browning, C. A., & Co., 242
Browning, King & Co., 246
Bunn, P. V., 305
Burpee, W. Atlee, 248
Business, Modesty in, 137
Business Punctuality, 201
Business, What to Do outside of, 206

Cabot, Samuel, 251
Canvassers and Book Agents, 226
Carriage Builders' National Association, 289
Chances, Taking, 117
Chick, Frank S., 293
Cobb, Bates & Yerxa Co., 253
Collier's Weekly, 254
Competitors, Your, 165
Conduct, Personal, 172
Confidence, 187
Conservatism and Taking Chances, 117
Counter Salesman, The, 44
Courtesy and Politeness, 140
Customer, Advising the, 157
Customer, Antagonizing the, 97
Customer, Approaching the, 77
Customer, Diagnosing the, 38
Customer, Getting Acquainted with the, 103
Customer, Satisfying the, 70
Customer, Treating the, 179

Decatur, Austin H., 258
Decatur & Hopkins Co., 258
Dependence in Selling, 182
Diagnosing the Customer, 38
Diversion, 220
Doing What You do not Have to Do, 124
Drummer, The, 56

Education, The Academic Education of the Salesman, 231
Emery, Allan C., 265
Employee and Employer, 85
Employer and Employee, 85
Employer, Respect Your, 121
Exercise and Recreation, 220
Experience, The Voice of Selling, 240

FARLEY, Harvey & Co., 260
Fault-Finder, The, 127
Fear, 162
Forcing a Sale, 82
Frost, George, Co., 262

GETTING Acquainted with the Customer, 103
Goodhue, Studley & Emery, 265
Good Nature in Selling, 113
Goods, Knowing Something besides Your, 33
Goods, Knowing Your, 25

HABITS, 172
Hall, Thomas S., 269
Hamburger, Isaac, & Sons, 267
Hamilton, Brown Shoe Co., 269
Hawkins, W. A., 271
Hill, Frank E., 246
Howard, Fred L., 242
Humor and Wit in Selling, 217

INDEPENDENCE in Selling, 182
Individuality in Selling, 197
Inside Salesman, The, 44
Interest, Taking an, 175
Irritability in Selling, 167

JORDAN, Marsh Co., 271–274
Juhring, John C., 278

KNOCKER, The, 127
Knowing Something besides Your Goods, 33
Knowing Your Goods, 25

LEGGETT, Francis H., & Co., 278

MENIHAN Co., 279
Merrimack Clothing Co., 287
Methods of Others, 191
Michigan Stove Co., 281
Miller, Henry F., & Sons Co., 284
Mix, Robert J., 294
Modesty in Selling, 137

NATIONAL Association of Manufacturers of the United States, 289
Naylor, J. William, 279

ORIGINALITY in Selling 153
O'Sullivan, Humphrey, 287
O'Sullivan Rubber Heel Co., 287
Others' Methods, 191
Outside of Business, What to Do, 206

PARRY Auto Co., 289
Parry, David M., 289
Persistency, 147
Personal Appearance, 108
Personal Habits, 172
Personality in Business, 197
Pickhardt, Emile, 262
Play, 220
Politeness and Courtesy, 140
Pope, Edward W., 291
Pope Manufacturing Co., 291
Pray, John H., & Sons Co., 293
Prudential Insurance Co. of America, 294
Psychology of Selling, The, 10
Punctuality in Business, 201

READ, What to, 212
Recreation and Exercise, 220
Respect Your Employer 121

SALE, Forcing a, 82
Salesman, Academic Education of the, 231
Salesman, The Counter, 44
Salesman, The Inside, 44
Salesman, The Store, 44

Salesman, The Traveling, 56
Salesmanship, What is, 1
Salesmanship, What It Offers, 21
Satisfying the Customer, 70
Seaver, Herbert M., 253
Self-Confidence in Selling, 187
Selfridge & Co., 297
Selling Experience, The Voice of, 240
Selling, Good Nature in, 113
Selling, Independence in, 182
Selling, Individuality in, 197
Selling, Irritability in, 167
Selling, Modesty in, 137
Selling, Originality in, 153
Selling, Self-Confidence in, 187
Selling, The Psychology of, 10
Selling, Wit and Humor in, 217
Selling, Voice in, 204
Seymour, F. P., 313
Shoe Travelers' Association, 279
Shuman, A., & Co., 303
Something besides Your Goods, 33
Smith, Chandler W., 284
Stick-to-it-iveness, 147
Store Salesman, The, 44
Studying Others' Methods, 191

Taking an Interest in Your Work, 175
Taking Chances, 117
Telling the Truth, 131
Traveling Salesman, The, 56
Treating the Customer, 179
Truth, Telling the, 131
Tucker, Fred H., 260

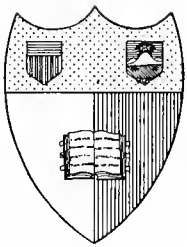
Voice in Selling, 204
Voice of Selling Experience, The, 240

Walker, R. A., 303
Wanamaker, John, 305
Warren Brothers Co., 308
Warren, George C., 308
Waterman, L. E., & Co., 313
What Is Salesmanship, 1
What Salesmanship Offers, 21
What to Do outside of Business, 206
What to Read, 212
What You do not Have to Do, 124
Wit and Humor in Selling, 217
Working for Yourself, 92
Work, Taking an Interest in, 175

Your Competitors, 165
Yourself, Afraid of, 162
Yourself, Working for, 92

ADVERTISING

LLING THE CONSUMER



New York
State College of Agriculture
At Cornell University
Ithaca, N. Y.

Library

Cornell University Library
HF 5823.M15
Advertising, selling the consumer.
3 1924 013 735 414

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

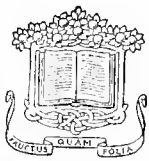
http://www.archive.org/details/cu31924013735414

ADVERTISING—SELLING THE CONSUMER

ADVERTISING

SELLING THE CONSUMER

BY
JOHN LEE MAHIN



PUBLISHED BY
DOUBLEDAY, PAGE & COMPANY
FOR
THE ASSOCIATED ADVERTISING CLUBS
OF THE WORLD
1914

Copyright, 1914, by
THE ASSOCIATED ADVERTISING CLUBS OF THE WORLD

All rights reserved, including that of translation into foreign languages, including the Scandinavian

CONTENTS

CHAPTER I

PAGE

THE COMMERCIAL STATUS OF ADVERTISING 3

Business is becoming a world-dominating science—Simplifies problem of production and distribution—fathers products of world and puts them in easy access to all —Advertising creates conditions and habits; produces demands by molding the public mind—Incomes divide people into groups—Biggest advertising successes, articles of small retail value—Reaching the right group the problem of space buyers—Advertising must appeal to right group—Finding the right group a fundamental problem—Manufacturer can create buying groups by advertising—Advertising makes possible small capital and reduced selling cost—Group department store advertising most productive—Advertising not a material substance, but service to a group.

CHAPTER II

PAGE

How Markets Benefit Both Consumer and Producer 16

The market based on the group—Professional services enhanced by the group—The group idea establishes banks—Marketing a young man's time—Price as a marketing factor—Buyer not an expert judge of intrinsic values—Disaster follows price competition—Quality and service competition beneficial—Salesman's judgment must be respected—Market control a money-making occupation—Cash lubricates the machinery of production and distribution—Publicity will correct all evils of market control—Consumers should prefer goods bearing the producer's trademark—Dangerous position of some manufacturers.

CHAPTER III

Salesmanship Is Service 28

Men succeed in the measure in which they can induce others to accept their views—Salesmanship entails permanent satisfaction to the buyer and a profitable compensation to seller—Advertising is organized salesmanship—Service dominant in

PAGE

salesmanship—The successful salesman sells merchandise plus merchandising advice and ideas—Advertising is service salesmanship directed at a group.—Advertising should create desires that benefit the consumer—The responsibility of the publisher to his subscribers—Censorship of advertising a necessary service.

CHAPTER IV

ADVERTISING IS SELLING THE GROUP . . . 38

Men with ability to induce others to accept their views, broaden their appeal to take in a group—The group idea converts storekeepers into merchants—Creates department stores—Groups analyzed in detail—One form composed of those who think alike—Groups are essentially coöperative organizations—Cities, fast trains, publications, are good examples—Luxuries, conveniences, and education made available for all because of groups—Group membership matter of volition—In reaching groups advertising multiplies salesmanship—All forms of advertising an appeal to groups—Sensing the keynote of group harmony brings success to the salesman and writer of advertisements.

CHAPTER V

PAGE

THE TOOLS OF ADVERTISING 48

Leave the detail to men whose special business it is to work with type, art work, engravings, printing, plates, etc.—Successful illustrations must tell the story in less space than could words—The idea must usually be given the artist—Simple words the best—Give the typesetting room superintendent leeway in setting printed matter—Building advertisements as much of an art as building homes—How type is used in printing newspapers and magazines—The making of engravings and importance of getting good ones—Making the most of advertising space—Space buying a job for a man of experience—How to get good printing—The postage saving expert a coming profession—Paper stocks and printing inks.

CHAPTER VI

ADVERTISING MEDIUMS 59

The group spirit creates the advertising medium—Some mediums have greater prestige than others—How to analyze the value of a medium—The service rendered by representatives of mediums—One large group

PAGE

compared with several smaller groups—The different mediums used in advertising—Newspapers the logical medium for local stores and for satisfying immediate needs—The importance as mediums of fiction magazines, national weeklies, trade, class, technical publications, and farm papers—How to judge class publications.

CHAPTER VII

ADVERTISING MEDIUMS—CONTINUED . . . 68

Street-car advertising: its function, cost, and how it is checked—The evolution of the modern 24-sheet poster—Billposting service as standardized in the United States—Painted bulletins and their value compared with walls. Electric signs, window displays, store demonstrations, sampling, house-to-house canvassing—Form letters, mailing cards, folders, printed matter used to assist salesmen—Calendars and novelties—Slides.

CHAPTER VIII

BUILDING AND TESTING AN ADVERTISEMENT. 78

What the copy writer should know—The copy writer is an interpreter between advertiser and buying groups—Writing and illustrating advertisements with a strong

PAGE

group appeal a natural gift—Diagramming the advertisement—Brevity not necessarily good—Ten tests of an advertisement: Is it institutional—is it natural—is it specific—is it timely—is it pertinent—is it consistent—is it persistent—is it authoritative—is it plausible—is it sincere?

CHAPTER IX

APPLICATION OF THE TEN TESTS 88

Application of the ten advertising tests made to the retail advertisements of such prominent institutions as John Wanamaker, Philadelphia; Marshall Field & Co., Chicago; B. Altman & Co., Rogers Peet Co., New York; Filene Brothers, Boston; Wm. Taylor & Sons, Cleveland—Comments on national magazine advertising of Eastman Kodaks, Old Dutch Cleanser, American Telephone & Telegraph Co., Swift's Premium Hams, Hydraulic Pressed Brick, National Lead, Quaker Oats, Ivory Soap, Hart, Schaffner & Marx Clothes, Sears, Roebuck & Co.—Application of ten tests to White Rock Water electric sign.

CHAPTER X

ADVERTISING AND SELLING THROUGH THE ORDINARY CHANNELS OF TRADE 107

PAGE

The retailer and his function: The wholesaler as an aid to the retailer—The exclusive jobber plan—The jobber a distributor, not a market creator—Selling the dealer direct—The third middleman: agent, broker, importer or exporter—Selling the consumer direct through agents, representatives, solicitors—Manufacturers who operate chain stores—The mail-order house—The middleman essential in almost all selling systems.

CHAPTER XI

RETAIL ADVERTISING—PREPARATION . . . 121

A stable labor market necessary to successful retailing—Crime of contributory idleness—The location within the locality—Appreciation of mental and physical conditions—Buying should be concentrated—Comparative value of advertised and unadvertised products—Exclusive agency—National prestige and local reputation—Analyze selling costs—Coöperate with national advertising.

CHAPTER XII

RETAIL ADVERTISING—METHODS AND MEDIUMS 130

Attract favorable attention—Inside store display essential—The chief improvement

PAGE

in modern business is the change from a personal to institutional business—Retailer should be able to say no—The plan more important than the medium—How suburban retailers can cash in on the manufacturers' advertising—How the retailer can remove doubts—Plan your work; work your plan.

CHAPTER XIII

RETAIL ADVERTISING—MAKING GOOD . . 139

Maintaining confidence increases the dealer's assets—Inviting the return of merchandise increased profits—"Taking back" goods the dealer did not sell—The power of service—Price cutting benefits nobody—Difference between intrinsic, real, and commercial value—Will service become too costly—Desire for luxury stimulates industry—Service competition invites cooperation—Advertising will bring needed reforms—Stable conditions insure prosperity.

CHAPTER XIV

MAIL-ORDER ADVERTISING 151

Mail-order advertising logical and natural—Over two billions worth of merchandise

PAGE

sold by mail, each year, in United States—This only one fourteenth of whole business—The wide-awake retailer need not fear mail-order competition—The field that the mail-order advertiser fills better than any one else—Many nationally advertised lines started in mail-order way—Choosing the medium for mail-order advertising—Advertising and follow up of mail-order house of high quality—Must offset the prestige and personal salesmanship of the store on the ground—Every word must be weighed in a mail-order advertisement—Headings that changed inquiry costs from $1.64 to 8 cents apiece—Getting the names of possible buyers—Advertising to focus attention of mail-order catalogues already in circulation.

CHAPTER XV

NATIONAL ADVERTISING AND EXCLUSIVE DEALERS 162

A coöperative arrangement between high-class manufacturers and high-class retailers—The manufacturer contributes selling helps, the retailer advertises locally and pushes the sale—Drawing inquiries through national advertising to refer to dealers—How magazines are protecting dealers—

PAGE

Failure to handle advertised goods a reflection on the dealer—The great variety of selling helps furnished dealers by manufacturers.

CHAPTER XVI

TRADEMARKS 170

Value to consumer—No valid reason for purchase of untrademarked goods—Bargain hunter assumes entire responsibility—Sincere dealers in untrademarked goods must come together with manufacturers of trademarked products—Trademark fixes responsibility and helps to standardize price, production and selling costs—Backing up the trademark with advertising.

CHAPTER XVII

PRESTIGE-BUILDING ADVERTISING 178

The salesman's part in establishing prestige—Prestige not inherent, but the impression conveyed—Constant reiteration driving home the fact—Telling the prestige building story—Publicity without prestige; the recoil—Advertising makes the goods live up to the prestige gained—Building prestige on a rise in price—The deciding vote—A house of cards.

CHAPTER XVIII

PAGE

COÖPERATION BETWEEN SALESMEN AND ADVERTISING 189

Salesmen, the closer; advertising the missionary—Creating the buying impulse—Team work—Increased income for the salesman—Service to consumer—The stability test of both advertising and salesmanship—The salesman with a medieval mind—The modern machinery of selling—Advertising and selling should cost no more than selling alone—Educating the retailer to coöperate—Responsibility means coöperation.

CHAPTER XIX

PRICE MAINTENANCE. 197

The business builder for the retailer—Makes mail-order business possible—The field of tremendous accomplishment—Getting the "jump"—The supreme court and the fixed price—Two effective ways of maintaining price—Cut price plays havoc with confidence—Plus service vs. cut price—Persuasion vs. Coercion—Advertising, the strongest ally of price maintenance.

CHAPTER XX

ADVERTISING OPPORTUNITIES 206

Young men who want to get into the adver-

PAGE

tising business must be cautioned that advertising is a serious business, and that a knowledge of it can be gained only by hard work and close application—The bigger opportunities in advertising are its application to ordinary everyday business life—The types of advertising men include the publisher, the solicitor who must sell, with his space, ways and means of making it profitable, the advertising writer, the space buyer and the printer, platemaker and typesetter who can become real artists at their work—Big advertising opportunities are open with the publishers—Advertising courses in universities, and things to be remembered in the quest of advertising experience.

CHAPTER XXI

THE ADVERTISING MANAGER 212

He should be synonymous with sales manager, interpreting the sales policy both to the salesmen and through printers' ink—The job is as big as the man who fills it—Four epochs in every business career—The final epoch commanding the coöperation of men of big calibre—Business should be an open book to the advertising manager—The strong advertising manager must be

PAGE

mature in development, and also to command coöperation and discriminate between the unessential things and the really big things.

CHAPTER XXII

THE ADVERTISING SOLICITOR 225

The first attempt at soliciting—Advertising can harm as well as help—A solicitor must sell service—Study the customer's proposition, his market, and show how you are ready to serve him—Things to avoid in talking with prospect—Soliciting, a serious job—Building confidence—Know your medium like a book—The value of definite statements—"Plan your work and work your plan"—Connect with a good house.

CHAPTER XXIII

THE ADVERTISING AGENCY 237

The business of soliciting, preparing, placing, checking, and paying for all the advertising space entails an infinite amount of detail. To handle this work the agency was developed—The history of the agency from the days of split commission and special rates to the present-day agents of four types—The agent who sells service to the customer, the highest type—He gets his

PAGE

compensation as a retainer fee plus a service charge for work actually handled—The four definite functions of high-class agency service are: 1, Counsel on mediums; 2, Purchase of space; 3, Copy Building; 4, Sales Coöperation—The advertising agency should be a trustee of the customer's money and advertiser should have constant access to the books.

CHAPTER XXIV

ACCOUNTING 248

The Accounting System should provide a ready basis for advertising deductions—Proper distribution of overhead expense, —How to change the advertising—The executive should be able to find out at a minute's notice anything he wants to know —Keying mail-order advertisements—Good accounting an asset in negotiating loans or receiving favors from banks—The relation of advertising to good-will—How much should be spent in advertising—Successful advertising defined.

APPENDIX 257

INTRODUCTION

Early in the spring of 1910, Dr. Willard R. Hotchkiss asked me to take an evening class in advertising at the School of Commerce which Northwestern University had just established.

In a general way, I grouped the subject matter under ten heads, one of which was covered each week in a preliminary talk. This was supplemented by an informal discussion—my answers to questions put by the students.

The chapters which follow are based upon notes made at these classroom talks, and from lectures delivered before the Universities of Chicago, Wisconsin, Michigan, Illinois, Minnesota, and Washington.

Advertising as a means of influencing human beings through groups presents its most interesting characteristics.

It is by comprehending the group spirit and working in harmony with it that the greatest achievements in advertising have been made.

If this book shall serve truthfully and adequately to introduce the reader to a profession which is fascinating, constructive, and growing, it will have fulfilled its purpose.

JOHN LEE MAHIN.

Chicago, Illinois,
February 26, 1914.

ADVERTISING—SELLING THE CONSUMER

CHAPTER I

THE COMMERCIAL STATUS OF ADVERTISING

THIS is the age of advertising. Within the memory of older men the ambitious youth was urged to enter the church or the army, to study law or the sciences. Now business is generally recognized as a world-dominating science. It is becoming more and more intricate and complex, and constantly calls for a higher grade of intelligence.

In its elemental form, commerce is little more than the hewing of wood and the drawing of water, and trading in the simple things necessary to sustain a low order of physical life. It is only when it comes to grappling with our enormous wheat, corn, and cotton crops and the products of our mines and factories that it begins to demand and give substantial rewards for brain power which can organize equipment, devise ways and means, and execute.

In its crude state war does not call forth our admiration. When it means butchery, it is hideous. It is only tolerable when it is the expression of the undivided will—the group spirit—of a nation. When it is determined and reverent resistance to wrong, it is grand. In war the master-mind is an incarnation

of the national group spirit and the expression of its purpose. Alexander, Cæsar, Napoleon, Washington, and Grant understood the laws which hold human beings together in groups.

They knew how to present their ideas to these groups—that made them leaders. They got and held the confidence of the nation and of the army. They shifted soldiers about as an expert chess-player moves his mimic warriors; they won and have held the admiration of mankind because their achievements give them clear title to it.

Understanding the Group Spirit Makes Leaders of Men

So, too, with the master-minds of commerce. The problems of production and distribution, the elimination of waste and famine, the gathering of the products of the world, and putting them where they are accessible to all—these problems call for brain power.

But to the mind that has creative ability, commerce, satisfied with ordinary profit and passively awaiting the dictum of the capricious taste of mankind, still falls far short of the ideal. Having gathered the products of industry, commerce changes their form and character, fashions them into articles specially suited for the higher needs of men and women. Then, by arousing interest, creating desire, educating taste, stimulating appetite, and developing new wants, advertising makes a stable market for them.

Commerce Supplies Demand; Advertising Creates Demand

The standard of living has been raised by this

process until it includes as necessities articles the need of which was unknown to the grandparents of the present generation.

In doing this, commerce has had the help of a power which the trader did not possess. Its skill, thought, resource, and judgment, virile energy, largeness of vision and equipment, when combined with the creative force which accomplishes things, is called advertising.

In giving orders to manufacturers for six months or a year in advance, the merchant who does not advertise makes a shrewd guess at what the public is going to want. He deals with conditions as he finds them.

Advertising Holds the Public Mind

Advertising creates conditions. It establishes stable business conditions, and upon them attains its highest development. It can solve all sorts of commercial problems, because it knows how to influence human minds in groups. It will produce active desire where none existed, or at least only a latent variety. By suggestion, advertising can create among people well-defined habits which the alert commercial mind takes advantage of in building and fostering a business.

There are people who think that the display of words and pictures in newspapers is advertising. Such individuals would probably call him a merchant who mechanically hands a cake of soap to a customer. But advertising is not merely spending money for magazine, newspaper, street-car, and outdoor space.

It is the accomplishment of definite purposes—by molding the minds of groups of people.

How to Decide Whether or Not an Article May Be Profitably Advertised

Two sharp distinctions must be made when we attempt to decide whether or not an article may be profitably advertised. Because purchased in large quantities and then manufactured (i. e., so changed in form that the identity and knowledge of the source of supply of the component parts is lost), raw materials cannot be advertised as profitably, at a large outlay, as can articles of small retail value sold in packages and capable of being used by almost every family.

Raw materials are usually bought by experts who have explored the market carefully. All that advertising can do here is to teach how the goods can be utilized to the profit of the purchaser, thereby increasing the demand; or, by constantly demonstrating the superior quality of the merchandise, either get a preference, at the same price, over competing goods, or a slight increase in profit. In selling such goods, the number of possible customers is known, and the personality of a competent salesman is usually the best form of advertising for them.

There are salesmen, however, and people who are called salesmen. The man who directs a large business in accordance with certain definite principles should see to it that his customers get the benefit of them. Some form of regular communication is recommended, in the form of printed matter, between the moving spirit of an organization and the cus-

tomer. The salesman should close sales; the missionary work usually can be done best with printers' ink.

Incomes Divide People into Groups

It is in making known and selling articles of everyday use to the average family—the smallest of the groups—that modern methods of advertising have been most successful. An able statistician claims that of the 20,689,000 families in the United States, but 6.8 per cent. have incomes exceeding $3,000 a year.* This figure includes both the proceeds of invested capital and the earnings of the entire family. When we consider how many articles can be bought only by families having an income of $3,000, and that only 6.8 per cent. of the population are possible purchasers, the problem of the advertiser is to spend his appropriation so that it will reach as nearly as possible only the class to which his goods will appeal. In such case, a class magazine of national circulation might have been less waste circulation than a local paper.

Biggest Advertising Successes Are Articles of Small Retail Value

The statistician referred to claims that 27.8 per cent. of the total number of American families live on less than $400 a year; and that 46.3 per cent. live on less than $600 a year.* It is plain, therefore, that an article which sells as freely to the family of small means as it does to the well-to-do is in less danger of being exploited in publications where there would be waste. It may also explain why the biggest

* "Mahin Advertising Data Book," 1913-14, p. 413.

advertising successes have been articles of small retail value which are within reach of the masses.

Desire to own an automobile may be implanted in the mind of a man whose annual income is less than $400. But it is not probable that, as far as this individual is concerned, the advertising which created that desire will be profitable for the advertiser. On the other hand, advertising a rag-carpet loom brings good returns in a publication read by people of small incomes, but might never get an inquiry from the readers of such magazines as *World's Work*, *Harper's*, *The Century*, and *Scribner's*.

Reaching the Right Groups the Problem of Space Buyers

There are 22,141 publications* in the United States, 58,000 street cars, and millions of square feet of billboards and dead walls. The man who can afford to advertise has plenty of opportunities to discriminate. Much training for space buying is desirable, if satisfactory results are to be had.

Too frequently advertising is viewed superficially. Very few advertising men have gone deeper into their own business than to note certain phenomena and assert that history will repeat itself. An analysis of conditions and the forces which have brought them about is seldom attempted. Such men are gamblers in every sense of the word. They speak of advertising effort as "playing the game."

Few publishers understand the value of the advertising space they produce. Too many regard it as

*"Mahin Advertising Data Book," 1913-14, p. 427.

merchandise to be sold to whomsoever comes at whatever price the market will permit. Some will make a fixed price and let the matter rest there. A very few study out the service possibilities of the space, and by systematic effort develop and maintain an advertising constituency in such harmony with the group creating and conserving characteristics of publications that advertisements become of value to the readers because they are adapted to their tastes, requirements, and conditions.

Advertising Must Attract the Right Buying Group

Advertising does not consist merely in attracting attention. It must get the attention of the right kind of people in a way which will produce sales for the article advertised. All possible knowledge of the human mind, its mysterious and subtle manifestations, the influence of affirmation, argument, color, suggestion, or an appeal to the imagination and sentiments, must enter into the deliberations of the man who plans and executes an advertising campaign.

In spite of the prevalence of mistaken ideas about advertising and its true functions, about $616,000,000 is spent for advertising each year. ("Selling Forces," Curtis Publishing Company, 1913, page 40.) Much of it is intelligently spent. The men who have made a success of advertising do not think it a matter of luck; they know that its powers are subject to certain laws. Illustration, words, and space, and the cost of them, while weighed and considered, have been subordinated to the main purpose of producing

a mental impression. The place of advertising in modern business is secure. Our merchant princes and captains of industry and distribution cannot get along without it, because advertising is to the selling of goods what modern machinery is to their manufacture.

The Dealer Not a Consumer

There is a fine distinction between the effect of advertising on the final purchaser and upon the intermediate handler of the product. The man who buys a hat to wear is not at all in the position of the man who buys it to sell again. The latter is the dealer. Strange as it may seem, the most common mistake manufacturers make is that of regarding the dealer as a consumer.

The dealer buys a hat to make a profit in selling it again. Two considerations appeal to him—price and a quality for which he can establish a permanent trade. Style is valuable to him only as it is valued by the man who buys from him. Shape, color, and trimmings are not in any sense a matter of the dealer's individual taste—if his customers have definite ideas on these subjects themselves.

Advertising Creates and Fixes Habits

The man who buys a hat to wear may think he is buying it because he has to. The habit of wearing hats is evidence of skilful advertising years ago. An independent man would wear a hood, or a scarf; or let his hair grow, and do without a hat. But other men have decided what he is to wear. He may exercise some selection as far as color, shape, and style are concerned;

but it is confined to what is placed before him. He may buy a broad-brimmed, soft hat, because he admires a certain ex-president who wears one; he may buy a hat to please a woman; or he may select one which ministers to his own vanity. In any case, his selection depends upon something which another has forced on his mind, and it is with the study, comprehension, and utilization of the things which cause such impressions that the manufacturer of hats should concern himself as soon as he has mastered the mechanical problems of his factory.

Advertising gives a manufacturer power to produce trade for the thing he is best equipped to make. It eliminates competition. It creates, forces, persuades, builds. It makes things happen. It is so many-sided that it deserves the attention of each department of every business organization. Advertising produces desire; gratified desire produces habit; and habit produces business.

It does more. It makes sales. The brainy salesman gets a larger field for usefulness and more pay when he coöperates with advertising, and while making more money for himself reduces the cost of selling which includes both personal salesmanship and advertising.

Advertising Makes Possible Small Capital and Reduced Selling Cost

The man who advertises gets along on less capital and saves on interest charges. That is because a business which advertises is produced more by creating business conditions, instead of by adapting its affairs entirely to them.

Collections can be closer, for advertising puts the purchaser in the position of *seeking* the goods.

Retailers find that advertising brings purchasers to the store earlier in the day than they would otherwise come. Rent, clerk hire, insurance, all the fixed expenses of a business, must be met before the profits are counted. A store which is rushed with customers from eleven until five has but six hours of business. Advertising bargains and special sales bring customers two and sometimes three hours earlier, without increasing the fixed expense for these hours.

Advertising has educational value also. It teaches people, before they come to the store, what they want to buy. Part of their shopping is done before they leave home.

One salesman is able to wait on more customers, thus lowering the selling cost per customer.

Many stores have acquired the confidence of large groups of people in their newspaper announcements. The taste of these regular customers is molded to a considerable degree, and the buyers for the store can get lower prices because they can place larger orders, for they *know* that the advertising of the house will create a demand for the large purchases they have made.

Group Department Store Advertising Gets Most Productive Results

The advertising manager of a large retail store, if he be shrewd, will separate his trade into several groups and influence each by advertising. A certain number want high class and exclusiveness; another class spends its sur-

plus cash for bargains, no matter what they are. He finds a best method for reaching each group. This plan makes it possible for him to counteract the errors of a too sanguine buyer and to take advantage of a manufacturer's mistakes in judgment in over-producing.

Advertising Not a Material Substance but Service to a Group

Advertising is not material substance. It is service. The true advertiser and the advertising man never forget that space is less important than service. Ideas are paramount. The purpose of an advertisement should be clear and definite. It must be kept in mind constantly during the planning and execution of the details by which it is to be effected. Space, type, words, and pictures are merely tools which the master workman uses in expressing an idea. The finished work of an advertiser is not a material substance which can be seen with eyes and touched with hands, but a definite, positive impression in the minds of possible buyers which is reflected in the voluntary purchase of the goods which the advertiser wishes to sell.

REFERENCES FOR CHAPTER I

"Modern Advertising," 1905 (D. Appleton & Company, New York), by Calkins and Halden, contains much illuminating historical matter, and was up to date in every particular when it was printed. The advance in the advertising business within nine years can be measured by reading it carefully.

"Advertising as a Business Force," 1913 (Doubleday, Page & Company, Garden City, N. Y.), is an up-to-the-minute review and compilation by Paul Terry Cherington, instructor in commercial organization in the Graduate School of Business Administration, Harvard University. It deserves careful study because it shows how present-day advertising impresses a thoughtful onlooker.

"The Science of Advertising," 1910 (Duffield & Company, New York), by Edwin Balmer, with the counsel of Thomas Balmer, is a book of illuminating analysis based on concrete experiences and established principles. It is both informative and thought stimulating.

"The Library of Advertising," seven volumes, 1911 (Cree Publishing Company, Chicago), compiled by A. P. Johnson, presents the views of sixty-four men who have made good in the various phases of advertising. As a whole, the books contain much valuable information, and will give the student food for thought for some time if he attempts to reconcile conflicting opinions.

A well-equipped advertising library would contain all the issues of *Printers' Ink* (weekly), *Advertising and Selling* (monthly), the *Mail Order Journal* (monthly), and *Standard Advertising* (monthly). These publications must be read regularly, if one is to keep up to date. They cover the field admirably. Several publications put out by special interests contain much that is interesting and valuable.

The statistics quoted in this chapter and elsewhere in this book, unless otherwise noted, are from the 1913–1914 edition of the "Mahin Advertising Data Book."

CHAPTER II

HOW MARKETS BENEFIT BOTH CONSUMER AND PRODUCER

A GRAPHIC demonstration of the value of markets is given any man who hunts big game in the Canadian wilds. His whole labor is required to transport a few miles a day himself and the supplies he brings in with him. There are no mills or factories where he can market his labor for money with which he can secure transportation at 2 cents a mile on steam railroads, or 5 cents for as many as eight miles on street cars, which are markets where transportation is offered for sale. Nor are there stores to supply clothing, nor are there hotels which market shelter and food. He has his physical strength and his brain in the woods, but he can scarcely command sustenance with them. A day's labor commands a greater variety and abundance of comforts and luxuries the nearer it is performed to highly developed markets.

The Markets Based on the Group

It is no uncommon experience for a man to find food products selling at the same price in the section where they are produced as on South Water Street in Chicago. This

is because South Water Street is a highly developed and specialized market, and fruits and vegetables flow to it as naturally as the magnetic needle points to the North Pole.

A market is nothing more or less than a group of purchasers regularly seeking the same type of goods.

Mere possession of merchandise does not create a market. There must be a group of people of similar tastes, habits, and purchasing power associated with the accumulation and display of merchandise to make the market a possibility.

The numerical strength of the group is also a most important factor in the service that the market renders to the individuals comprising it.

This argument can be developed safely in determining the value of professional services.

Professional Services Enhanced by the Group

A lawyer, physician, or architect may have unsurpassed ability, knowledge, and training, but without a group of people to appreciate and pay for his work, his capacity for service benefits neither himself nor any one else. He must find a market for what he can deliver—a group of people who think alike to the extent in which they appreciate and value his work and possess the means to purchase it from him. The larger the number in the group he serves the more expert he becomes, and the more he can charge for his services without contracting his own market to a point where his full output in time and energy is not entirely taken.

A bank is a market that sells the use of money. It does not sell money itself, but merely the service rendered by having it to use. It buys the use of other people's money by acting as custodian of it, or in some cases by paying in addition thereto a smaller rent for the money of its depositors than it charges its borrowers for the same money.

The Group Idea Establishes Banks

The larger the groups of depositors and borrowers the larger is the market, which the bank really is. Again, we find depositors that *think alike* in possessing confidence in the bank as a buyer of the use of their money, and a group of borrowers who *think alike* in preferring to rent the money they desire from a particular bank.

The market for a young man's service is larger in direct proportion to the number of employers who know he possesses the qualities they esteem in an employee. His ability to profit by his market is the measure of his ability to think accurately and by will power make his thoughts control his actions. Even if there are many other young men competing in his market, unless the number greatly exceeds the demand, and he concedes equality by joining a labor union or admitting the buyer's estimate of his value as being better than his own, he can command a premium over others who apparently can perform all the work he is capable of doing.

Marketing a Young Man's Time

It is this quality in getting others to accept one's

own estimate of value that is called Salesmanship. It differentiates the highly successful from the ordinary and mediocre. It is the only power the individual has to develop any degree of influence approaching to control in his own market.

Price as a Marketing Factor

When we view the manufacturer catering to an established market we find that price exercises a great influence. Price is not a measure of intrinsic value, but it is a decisive factor in the buyer's mind who has the choice of two products apparently of equal merit.

The wonderful economies in production due to the development of the factory system has made price an important factor in the control of markets, but price cannot affect the buyer's mind to prefer one article to another unless there is also the thought of equal quality associated with it.

The Buyer Not an Expert Judge of Intrinsic Values

It is an old saying that a woman's favors are worth the price she puts on them, and we have too many instances of most consumers being wholly ignorant of values based on cost of production to make price a determining factor unless the thought of equal quality is associated with it.

No consumer buys on the basis of intrinsic value. Sentiment, rather than logic, is the impulse in most sales of articles to the consumer. It is right that this should be so because satisfaction itself is a sentiment. The measure of value in all commercial transactions is the satisfaction to the buyer.

If a woman wants an exact duplicate of the sewing machine her mother used twenty-five years ago, she will be much better satisfied with it than one embodying all the latest improvements, unless these changes have been told to her. No matter how much better intrinsically the new machine is, the daughter must be persuaded that her mother would have preferred the modern machine to the original if she could have secured it at that time.

The wise salesman says less about the mechanical features as such and more about how much the new machine would have saved her mother's work if she had possessed it in her day. This makes the present-day purchase *satisfactory* and valuable to the buyer because it is *satisfactory*.

The purchasing power of everybody's dollar has been enormously increased by manufacturers competing with each other on a price basis. But price competition without responsibility to the consumer on the maker's part is disastrous to both.

Disaster Follows Price Competition

Price competition as a factor to control the market with full responsibility to the consumer will always be self-respecting on the part of the manufacturer, and will always be true service to the consumer.

But price competition where one manufacturer lets another make his prices for him, and he meets this condition by cheapening the quality, destroys the manufacturer's self-respect and positively injures the consumer. He greatly increases the cost

of service to the consumer. This is always done where merchandise is put out that does not come up to a quality standard.

There are no business men who defend competition based on price alone as being advantageous either to consumer or producer. The whole idea of a market is destroyed unless producer and consumer are benefited.

The competition on quality and on service enlarges the scope of the market and benefits both consumer and producer. Competition on quality and service are impossible without salesmanship. No salesman is required to move goods on a price basis, but expert salesmen are needed to educate the consumer to an appreciation of quality, and expert salesmen are equally necessary to develop and maintain service.

Quality and Service Competition Beneficial

It is the introduction of salesmanship into markets that has greatly broadened their scope and has given to those who employed it the greatest degree of influence. Hence it has almost become an axiom that the man who can make sales in the market is a much more important factor than the manufacturer who supplies the goods.

No salesman can be worthy of the name unless there is a group of satisfied customers who will accept his judgment rather than their own. The organizing and maintaining of this group constitute the whole value of the salesman, and as such he has a much better position in the market than the producer who either

The Salesman's Judgment Must Be Respected

must take any price offered or employ the services of a salesman. The ideal condition for the producer is to develop within himself the quality of getting and holding a group of buyers to whom his name is a guarantee of satisfaction.

The men who influence or control the market are the men who individually profit most by contact with it.

For instance, the Chicago Board of Trade and the New York Stock Exchange are highly developed markets for the employment of the public's savings. The men who manipulate are the real money-makers. They take toll from the farmer and the maker of securities. They charge the buyer for the privilege of buying. Yet these men unquestionably render a great service to the general public.

Market Control a Money-making Occupation

A market without control will reflect caprice, fear, and overconfidence at various times. These are all factors that retard rather than develop real service to producer and consumer.

Some years ago a prominent speculator on the Chicago Board of Trade raised the price of wheat. He had seen it being shipped out of the United States when he was sure in a few months it would be needed here to prevent a famine. His purchases arrested exports. As it was, he caught wheat which had been grown in Kansas later going East. Eventually it was shipped back to Kansas to supply flour mills operating in that State. Had he not taken control of

the market, it would have been shipped abroad, and all the unnecessary labor of transporting it back again, to say nothing of the abnormally high prices for flour that must have followed, would have prevailed.

A ready market yielding cash to any farmer increases his purchasing power. It makes his day's work command more for him than if he had to trade off his produce to the consumer who did not have cash, but only the product of his own unsupervised labor, to pay for it.

Cash Lubricates the Mochinery of Production and Distribution

Market control can injure as well as benefit, but in this case the man holding power abuses the confidence reposed in him, and must ultimately fail. Control is better than chaos, and most leaders recognize that confidence of the group is necessary to maintain their position.

A bad man anywhere—in the pulpit, on the bench, in Congress, or in business—does harm, but markets and the control of markets by men who may have no other purpose than making money benefit the public. Men who exercise power must be made to accept responsibility for their acts, and publicity will insure this being done.

Publicity Will Correct All Evils of Market Control

We fail to appreciate how dependent upon each other are producers and consumers because our markets are so large. The processes of distribution are so involved that consumer and producer seldom come in personal contact.

There is no doubt that the middleman—the man who influences and often controls the market—in many cases takes more than his service is worth. That is one of the reasons why I wrote this book, as I am going to show how much of this can be remedied.

First, the producer should feel his responsibility to the consumer, and he can never do this if he considers nothing but price.

The Welch Grape Juice Company paid $10 per ton for grapes in 1897, and $35 in 1914. They paid this increase to get better grapes produced, so they could make Welch's Grape Juice realize the highest possible standard of quality.

I know lands in Iowa that have multiplied in value because farmers were shown how to cultivate cucumbers in a way that increased their value, for which the H. J. Heinz Co. gladly paid the higher price because they could give the consumer a better standard of quality.

At the Chicago Stock Yards Armour & Company paid in 1914 nearly three times as much for live cattle as they did twenty-five years before. The railroads and the packers themselves operate on smaller margins. The farmer got the increased price. Volume explains the increased earnings in making internal economies possible.

Consumers Should Prefer Goods Bearing the Producer's Trademark

The feeling of responsibility prompts a producer to lend his name to his goods because it protects the consumer. The loyal groups of consumers created in this way constitute the finest markets in the world, because

they are controlled by the producer who created them.

Every manufacturer can measure what markets cost him by subtracting what he receives for his goods from the price the consumer pays for them.

The underwear manufacturer who gets $7 a dozen for his suits pays $5 to the men who control the market if the consumer pays $12 for them. It is possible that without raising the price to the consumer the manufacturer could exercise control in the market himself by directing how the $5 should be spent, and give increased benefits to consumer and himself and also to the distributor who will coöperate in a more economical plan of distribution.

The Dangerous Position of Some Manufacturers

When a manufacturer finds that he has no control in the market in which his goods are distributed, he is in a dangerous position, and he certainly ought to look into what salesmanship and advertising could do for him as well as his real customers—the consumers.

The consumer should and will through proper advertising welcome all efforts of producers to accept responsibility for the quality of goods and the service the consumer buys.

As I will show in later chapters, I do not advocate any radical change in market conditions, but I do know and am sure I will prove that a distributor serves himself and all with whom he comes in contact when he concentrates on distributing. And a manufacturer who fails to accept responsibility and to let

the consumer of goods know that he does accept responsibility leaves an opening for usurpers to manipulate market conditions to the detriment of producer, distributor, and consumer.

There is no doubt that the consumer and producer are greatly benefited by our system of markets. Yet no student of economics can fail to see that parasites exist in large numbers, and many methods are antiquated and much improvement could be made.

How Salesmanship and Advertising (which is Selling organized to influence Groups) will accomplish these beneficial changes will be detailed in the following chapters.

REFERENCES ON CHAPTER II

Louis D. Brandeis, arguing in 1901-1911 before the Interstate Commerce Commission against an increase in railroad rates, claimed the railroads could increase profits by cutting out useless motions. His book "Other People's Money" (Frederick A. Stokes Company, New York, 1914), is one of the most interesting studies of leadership in the creation and manipulation of groups in American business life during the past twenty years. Few readers without further investigation will accept at par all that Mr. Brandeis says. Yet his advent into public life, and the place he occupies, is worthy of attention by all students of publicity. His optimism is refreshing. He believes in the people, in their good judgment when the facts are placed before them, and in their

capacity for proper action when the reasons are impressed upon them. He expects new leaders to appear on the scene and by an appeal to the group spirit accomplish great things for the people as a whole. He affirms that power to dominate the group in America can be retained only as long as the individual members truly profit thereby.

Here is a characteristic summing up of his views on the value of markets and the effect of publicity upon them:

"Every great distributor of merchandise knows the obstacles which he had to overcome before success was attained; and the large sums that had to be invested in opening and preparing a market. Individual concerns have spent millions in wise publicity, and have ultimately reaped immense profits when the market was won. Cities must take their lessons from these great distributors. Cities must be ready to study the problem and to spend prudently for proper publicity work."

Van Antwerp's "Stock Exchange from Within" (Doubleday, Page & Co.) gives a complete explanation as to the way the control of the Stock Exchange market works toward stability and public advantage.

CHAPTER III

SALESMANSHIP IS SERVICE

TO EVERY human being comes the opportunity and the responsibility for salesmanship.

None of us can achieve success without the coöperation of others.

The successful parent does not say to his child, "Never do that again!" with the added inference, "because I say that you must not." Instead, the wise father tells his ideas and ideals to his child, thereby getting intelligent and enthusiastic coöperation from him.

That man will be a failure surely who will not make the effort necessary to get others to accept his views about matters on which he needs their help.

Men Succeed as They Are Able to Induce Others to Accept Their Views

None of us can be absolutely independent. To be able to get others to accept your ideas about something which benefits you (and fair play demands that you share this benefit with them) is the essence of salesmanship.

Ability and ability to sell it = success. Salesmanship is the power of persuading others to accept you at your own estimate, the estimate upon which you

can continue to "make good." This is as precise a definition of salesmanship as I am able to frame. As applied to merchandise, it needs only a change of terms, not of essence.

Salesmanship is persuading your man to buy what you have to sell at a price which means permanent satisfaction to him and a profitable compensation for you.

Advertising Is Organized Salesmanship

Advertising is organized salesmanship. As the modern shoe factory has supplanted the cobbler, so the use of words, pictures, type, printing plates, paper, and printers' ink have given to salesmanship an impetus, a scope, and a dominion which it could never have had otherwise.

Any one who has the selling instinct and a reasonable amount of experience can increase the value of his own service and that of the goods he handles by just the amount of time, thought, and energy which he puts into selling them.

The Most Successful Salesman Is He Who Gives His Customer the Most Service

To many men the word "selling" means unnecessary inflation of prices, an added tax upon the consumer, and taking advantage of the ignorance of buyers. The trend of modern sales development, however, is to give to the buyer more and more actual service. The only salesman who may feel safely entrenched is the one who makes sure that everything he does counts in service to the consumer. By adapting his merchandise to the needs of

his trade, he can easily build for himself a substantial following. If he will study their individuality, he can influence the mental attitude of the prospective purchasers with regard to the articles which make up his employer's stock. Unless he can do this, unless he can create for himself a clientele which will come back to him again and again, his employer cannot afford to keep him.

Obviously the state of mind of the purchaser is a weighty factor in determining the value of the article he buys. For example—the intrinsic worth of millinery does not change at all from year to year; but its value fluctuates constantly, because fashion, which is the mental attitude of the buying group, changes.

The Intelligent Salesman Appreciates That His Responsibility Does Not End with the Sale

A certain salesman sells you a hat, a suit of clothes, or a piece of furniture in such a way that it affords you a great deal more satisfaction than would the same article bought from another salesman. Some who pretend to be salesmen lose sales because they do not know how to present to the prospective purchaser the merits of their wares. The intelligent salesman knows that we all buy things because the possession of them gives us a definite kind of satisfaction; he knows, too, that lacking a convinced state of mind with reference to the article purchased there can be no satisfaction.

The salesman's opportunity to give the customer actual service becomes more apparent when we con-

sider the selling of a kitchen range, a sewing machine, or an automobile. Here he has a chance to demonstrate to the prospective purchaser that the construction and method of operation of the range, sewing machine, or automobile will give him economical and adequate service. In the last analysis, the man who buys an automobile buys so many hours of pleasurable transportation, or so many miles of dependable locomotion. It is certain that the salesman who acquaints the buyer with all those points which enable him to use his automobile to the best advantage increases its life and materially decreases the cost per hour or per mile of the service he gets.

The Service That Merchants Give More Attractive Than the Goods

The traveling salesman who calls on dealers eventually becomes a competent counsellor on merchandising, financing, and trade-building. One sees why a dealer might pay such a man more for merchandise than he would pay elsewhere, and still be better off both in the matter of aggregate sales and profits, and more permanent business.

Merchandise Plus Advice and Ideas More Valuable Than Merchandise Alone

The salesman has made himself indispensable who knows he *earns*, in positive service to the buyer, every cent he receives from his employer. He will never be laid off. Every salesman who aspires to be something more than a necessary link between buyer and seller must realize that his salary and expenses are included in every sale he makes, and

that he is either a burden or a benefit to the consumer.

The clerk who renders the buyer definite service, and has this clearly in mind has taken the first step toward something better. Once the elements of his own service to the buyer are clearly outlined, he is fired with ambition to do just such work for more buyers, more than he can wait upon personally. This means that he soon needs assistants to whom he may delegate a share of his duties.

To such men advertising appeals. They see its relationship to modern business methods.

Advertising Is Service Salesmanship Directed at a Group

Advertising is systematized selling. Prospective purchasers are influenced in a wholesale group. They may not be aware that they are being reached and influenced in a wholesale way and that the force which is changing their mental attitude is accomplishing similar results with many others at the same time. In fact, the chances are, if the advertising has been properly planned, that each individual will think he has been singled out for special attention; or, better still, that he has, without outside suggestion, made up his mind to do this certain thing.

Advertising Should Create Desires That Benefit the Consumer

The best salesman uses suggestion in his work. He strives to leave with the purchaser the impression that the article has been bought voluntarily, rather than that he has been persuaded to buy. He uses advertising in the same way. He values his self-

respect (the one complete satisfaction), and will direct his powers only along lines which will benefit the final purchaser.

This does not mean that salesmanship and advertising cannot be, or have not been, used by men who did not have the best interests of their fellowmen at heart. But it does mean that the man who analyzes his work, who studies his opportunities, who desires to attain for himself the best satisfactions, and to keep his self-respect will use his ability to sell, and the multiplying power which advertising lends, for the good of all with whom he comes in contact.

Publishers Fast Realizing Their Responsibility to Readers

Men who have studied newspaper and magazine advertising for the past twenty-five years note with great satisfaction the constantly increasing number of publishers who realize that advertising should serve rather than exploit the subscriber. Advertising space was originally a by-product of the publishing business. The publisher looked primarily to the subscriber, and was concerned (1) with organizing a group of people who would take regularly and pay for his publication, (2) with collecting, writing, and illustrating the reading matter to be used, and (3) with the mechanical, financial, and executive problems incident to buying paper, putting the reading matter into type, turning the presses, and distributing the publications produced thereon.

For many years advertising remained a mystery

to publishers. They knew there were people ready to buy space. But most of them were convinced (since the reader knows that reading and advertising matter are two separate things, the publisher being responsible for the former, and the advertiser for the latter) that whenever the advertiser's name appeared beneath his copy, they (the publishers) had no responsibility to the subscriber.

The Days of Advertising "Mystery" and Fake Advertising Fast Passing

This condition was a loophole through which the unscrupulous preyed upon and exploited the reader. All sorts of fake medical, disastrous financial, and unreliable merchandising schemes were put upon the market, and paid—in dollars and cents—because their authors possessed a shrewd knowledge of human nature, and ability to write profitable advertising copy.

The general magazines are given credit for being the first to "clean up." But I know newspaper publishers, in both large and small cities, who for nearly half a century have refused to carry in their advertising columns the announcement of any business in which they would not be willing to engage.

Publishers and advertisers are recognizing that the complete confidence of the subscriber is the one sure foundation on which to build a successful magazine, newspaper, or class publication. Anything which weakens it reduces the publisher's capital. The reader may not be aware that his confidence has increased or diminished. But it is certain that dependable, trust-

Censorship of Advertising a Necessary Service

worthy news, editorial and advertising announcements, add to that confidence slowly but constantly, and that unreliability cuts it down rapidly.

Of late even the announcements of businesses which are thoroughly reliable are censored, to make certain that they contain nothing which in any wise reflects upon their competitors. Publishers take the stand that the buyer's confidence in advertising as a whole cannot be held if one advertiser is allowed to discredit another.

This is a very encouraging development of the service idea, a most satisfactory indication that during the coming twenty-five years advertising is to be a much more important factor in reducing the cost of production and distribution, and in raising the standard of merchandise and human service, than it has been during the last quarter of a century.

REFERENCES ON CHAPTER III

A book that supplements this chapter admirably is Walter D. Moody's "Men Who Sell Things," 1907 (A. C. McClurg & Company, Chicago). It is inspiring and informative, practical.

In "Influencing Men in Business," 1911 (The Ronald Press Company, New York), Professor Walter Dill Scott, of Northwestern University, presents the results of scientific tests which bear out the conclusions reached by experienced and thoughtful salesmen. Professor Scott has written several other books. All of them deal with his methods of testing the laws

of mental action in his laboratory, and the results he has observed. All are worth careful study.

Mr. A. F. Sheldon has written much and thoughtfully about salesmanship. He has made a sincere effort to segregate the various elements which produce successful sales, and to explain the laws which govern them. Practically all he has written is embodied in a correspondence course (The Sheldon School, Chicago), which one is required to take in order to secure his text-books.

Mr. Sheldon claims every sale takes place in the buyer's mind, and the processes through which his mind passes and which the successful salesman intelligently stimulates are (1) Attention, (2) Interest, (3) Desire, (4) Conviction. Conviction automatically arouses the buying impulse to action, forcing the lips to say the words and the hands to open the purse strings and thus complete the sale. Mr. Sheldon edits the *Business Philosopher* (Chicago), a monthly magazine.

In a two-volume work, "Principles of Economics," 1912 (The Macmillan Company, New York, F. W. Taussig), Henry Lee, Professor of Economics in Harvard University, has defined the creative power of salesmanship in the clearest and most satisfactory manner (page 22, Vol. 1): "All those whose labors satisfy wants—all those who bring about satisfaction or utilities—are to be reckoned as taking part in production, and are to be called productive laborers. . . . So long as a person who buys a

thing or pays for a service really *desires* it, the labor which yields him the satisfaction is productive." These two volumes, in clear and concise English, are very easily read and will help you tremendously in clarifying your own convictions. Professor Taussig understands the group spirit, because he says (page 30, Vol. 1): "It is strictly true that the workers in a modern society combine in bringing about a joint output; but the consciousness of coöperation is lost."

CHAPTER IV

ADVERTISING IS SELLING THE GROUP

GRANTED that a salesman is one who can get other people to accept his estimate of the value of the article he offers for sale (his valuation to include the value of the article itself plus the value of his service to the customer), how long do you think he will be content to appeal to only one buyer at a time? Certainly the moment he becomes aware of his ability he will want to accomplish results in a larger and broader way.

Salesmanship Converts Storekeepers into Merchants

The distinction between a merchant and a storekeeper depends entirely upon the degree of salesmanship possessed by the former. Theoretically both handle goods for which there exists a buying demand, in a location which is convenient for the purchaser. A storekeeper becomes a merchant when he puts personality into his work and gathers about him a group of people who, consciously or unconsciously, accept as valuable his endorsement or recommendation of what he offers them. Sometimes a certain store draws trade long distances past shops where equally desirable merchandise is to be had for prac-

tically the same or even less money. That is because the purchaser is definitely influenced by the prestige of the merchant with whom he is accustomed to deal.

Getting the Confidence of a Group Is the Department Store Idea

A striking illustration of this fact was afforded me one day in Detroit. I noticed that next door to a cut-rate drug store was the drug section of a large department store. In the latter I approached a saleswoman who appeared to be of about average intelligence. I made a small purchase, and then asked her the price of Mennen's Talcum Powder.

"Eighteen cents."

"What," I ventured, "would you say if I should tell you that I can buy a box next door for 12 cents?"

"That often happens. Our manager has told us to tell people that we don't know anything about the goods that are sold next door. We guarantee our Mennen's to be the genuine article, and a lady told me, a few days ago, that she wasn't going to buy any more of that cheap Mennen's, for she had used some on her baby and it had broken out with a rash, and that hereafter she will buy goods where she *knows* they are genuine."

This is an extreme case. But it points out clearly that a department store is fundamentally and essentially the group of human beings whose confidence that store has won and is able to hold.

We are all fortunate in being members of many social groups. Membership in the family group is

economically of inestimable value, and procures for us one of our most lasting satisfactions. As a rule we are not conscious that we belong to groups. We have never thought about it. We are Democrats or Republicans, Protestants or Catholics, we are literary or athletic, we go in for opera or the "movies," but quite without thinking of it as a group activity.

The Group Is Composed of Those Who Think Alike

We enjoy being with and coöperating with those who think as we do. But unless we take an active part in the administration of their affairs, we benefit by membership in clubs, churches, and other groups chiefly in that it relieves us of doing our thinking ourselves.

Some philosophers, Le Bon and Nietzsche, for example, are of the opinion that human beings lose in individuality by herding in groups. Nietzsche believed that it is impossible for two or more human beings to agree, unless one of them dominates the thought of the others. Le Bon outlines the process of influencing crowds as affirmation, repetition, and contagion. Neither one of these men sufficiently emphasizes the thought that we may enter or leave a group as we please.

Groups as Viewed by Philosophers

The man who does not interest himself in the affairs which concern the welfare of the city in which he lives misses much of the pleasure of being a citizen. Nor can he give his city the benefit of his ideas for its betterment until he can secure the coöperation of his fellow-citizens. He cannot truly enjoy the fruits of coöpera-

Groups Are Really Co-operative Organizations

tion unless he be a member of the coöperating organizations.

Every man should find in his own business enough to absorb the bulk of his time and creative energy. By regarding himself with relation to his own business as the trustee of a group of coöperative buyers, he can offer each member of the group better values at less individual outlay than would be called for should they buy individually.

A trip into the wilds illustrates my point admirably. Practically all your strength and energy is expended in transporting yourself and your belongings from place to place; a little thought brings home the advantages of the coöperation which we practise (largely unconsciously) in every phase of life.

A large city is a concrete example of what the group idea, raised to the n^{th} power, is worth. Our transportation facilities are natural evolutions of the coöperative spirit. Twenty-hour trains between Chicago and New York are a fact because railroad officials *know* that each day in the year a certain number of men can be depended upon to practically charter a special train for the trip. Each passenger has the same physical comforts, luxuries, and speed that a special train could give him—*plus* a substantial saving on his ticket. Such trains are the highest development, at present, of coöperative service in steam transportation.

Cities, Fast Trains, Publications, Good Examples of the Group

Magazines, newspapers, and class publications

offer the members of their groups definite savings. A technical engineering journal gathers and gives out to a large group of individuals who can make effective use of it information which has been brought together by many individuals at a cost which would be prohibitive for any one member of the group.

Several farm papers keep scientific specialists at work on experiments, the results of which have largely increased the yield per acre and have decreased the cost of farming.

A daily newspaper delivers to one's home, for one cent, a complete canvass of the world by cable and telegraph, plus the local field, which is covered by many capable men. No one person, no matter how large his income, could afford to duplicate this information individually for his own pleasure or use.

Conveniences, Luxuries, and Education Made Available for All Because of Groups

Magazines have fostered a general appreciation of art and have increased the ability of artists by giving them a market for their product. A similar statement might be made with regard to the writing of books. The average of culture and refinement has been materially raised, and men have been developed to cater to those new wants.

The pulling force of the group idea is that membership in any one of the many groups of which our modern civilization is made up is, in practically all cases, purely a matter of volition. No man need belong to the liquor-drinking or to the

tobacco-consuming group unless he wishes. He may also withdraw from either group at will. Yet the business of fulfilling the desires of these two groups represents an annual expenditure of $1,800,000,000 and $850,000,000 respectively. Another group makes it possible for publishers to do a $190,000,000 business in books and papers each year.

Membership in Any Group Largely a Matter of Volition

The coffee group drinks $300,000,000 annually. The butter group buys $694,000,000 worth of butter, which is more than twice the amount spent for bread, which aggregates $300,000,000. I mention the bread group as more likely to be considered compulsory. Statistics show that the total expenditure for what are considered necessities is very small in comparison with that which is paid for luxuries.

The Tremendous Proportions of Certain Groups

It is when the salesman realizes how small a part his personal sales are of the total consumption of the products he sells that he begins to see what advertising may mean to him. No matter how many assistants he may have, nor how he may organize and systematize their work, to call personally on the number of people whom he could persuade to prefer his product to that offered by others would be impossible. Realizing how little is needed to determine a preference in the purchaser's mind, he calls on advertising to help him develop a demand for the article he has to sell.

In Reaching Groups Advertising Multiplies Salesmanship

The far-seeing salesman realizes that the best way to go through a forest is to follow a blazed trail. He knows that human beings have been grouped in many different ways; he believes a group can be formed for his product.

Outdoor, Street-car, and Publication Advertising —An Appeal to a Group

If the citizens of a small town call at the postoffice every day for their mail, they have that much in common and constitute a group to which the salesman can best appeal from a location near the postoffice. If there is a public square in the centre of town, or any other place at which people have the habit of congregating, the value of a sign there is directly affected by the numerical strength of the group and by the purchasing power of its individual members.

A street car is essentially a coöperative unit contributing five cents a traveler for transportation which must otherwise cost many times that amount. Lacking the group of customers, there would be no street car. Therefore, the street-car card appeals directly to the group spirit.

A newspaper or magazine is an impossibility unless a well-organized group awaits with constant interest the knowledge which it is accustomed to receive through this particular channel.

An advertisement in a magazine or a newspaper is effective in direct proportion to the degree to which it senses and touches the group idea which makes the publications possible.

Sensing the Keynote of Group Harmony Brings Success to the Salesman and Writer of Advertisements

It has been said that the success of the late Ira D. Sankey was due to the fact that he took advantage of a universal group characteristic, sensitiveness to melody, and strengthened the appeal by using in the wording of his hymns the vernacular of the particular group to which Mr. Moody wished to present the Gospel truths. The "Ninety and Nine" was specifically directed at sheep-raisers. "Pull for the Shore, Boys!" aimed to get and hold the attention of the citizens of a fishing village.

In like manner the master salesman uses the trained writer of advertising copy and that particular medium which has acknowledged prestige with the group to be reached, to sweep away the barrier which ignorance, prejudice, and indifference have placed between him and a larger market for his wares.

REFERENCES ON CHAPTER IV

For supplementary reading, "The Crowd" (The Macmillan Company, New York), by Gustave Le Bon, and "Crowds," 1913 (Doubleday, Page & Company, Garden City, N. Y.), by Gerald Stanley Lee, are delightfully interesting. Both deal with the group spirit as exemplified in everyday life. Le Bon says groups are dominated by affirmation, repetition, and contagion.

H. L. Mencken's "The Philosophy of Frederich Nietzsche," 1913 (Luce & Company, Boston), is a digest of the great philosopher's views. Nietzsche

held that "Will to Power," which is identical with Schopenhauer's "Will to Live," is the first law of Nature. Nietzsche championed individuality, and contrasted it unfavorably with the herd idea which he condemned as being the means whereby the unworthy are able to impose their will upon their superiors. His views are interesting because unusual.

Maeterlink's "The Life of the Bee," 1912 (Dodd-Mead Co., New York), is a model for every advertising writer. It treats a thoroughly technical subject in a completely informing manner and in a fascinating style. The power of the group spirit expressed in orderly and systematic activity of apparently unconsequential individuals to accomplish really great tasks has never been more graphically described.

Woodrow Wilson's "History of the American People" is a masterly presentation of how ideas dominating the actions of many separate groups of colonists have finally been blended into a national spirit which, in its group-cementing character, makes the American nation what it is to-day. (Harper & Bros., New York, 5 vols., 1911.)

For keeping you alive to the necessity of individual action if you are to dominate your group, for developing individuality which will coöperate with and be benefited by association with others in the group spirit, for making it possible for you to share

the benefits of coöperation, I recommend the essays of Ralph Waldo Emerson. He is the fountainhead of "ginger talks" and optimism, of plans for meeting conditions as they are and making the best of them.

CHAPTER V

THE TOOLS OF ADVERTISING

MANY books have been written on the technique of advertising as a trade, so complex is it. They deal with type faces, sticks and rules, lumbago and electric baths, copper and zinc plates, acid baths, matrices, ink-rollers and presses, paste-pots and scissors, paint cans and brushes, wires and batteries; for these are the tools of the typesetter, the electrotyper, the artist, the engraver, the stereotyper, the pressman, the writer and editor, the sign painter, billposter, and electric-sign men. But I shall not attempt to explain those trades, either technically or mechanically. A man who would master any one of them should study all the literature available on the subject and serve a reasonable period of apprenticeship.

As an advertiser, an advertising manager, an advertising solicitor, or as a writer of advertising copy, he will do better to coöperate with men who specialize in the various phases of advertising, instead of attempting to oversee the details of work which must be well done from a technical standpoint, if he is to get the best results.

A few thoughts are pertinent here, however, which cannot be too frequently emphasized.

Illustrations are always desirable if they tell the story in less space than words could do it, for they have a wider range of appeal and do not need to be translated from one language to another.

Successful Illustrations Must Tell the Story in Less Space Than Words

To give a commercial artist free rein in the matter of illustration is a mistake. He should be used primarily as an artisan, to put into concrete form the ideas which the advertiser wishes to project upon the consciousness of the group. There are very few artists whose knowledge of the habits of buying groups is such that they can really contribute anything to the idea which is to go into the advertisement. Not many of them are good judges of relative commercial values.

Ideas That Appeal to the Buying Group Must Usually Be Given to the Artist

Where arbitrary spaces are to be filled with a combination of illustration and text matter, it is quite essential that just the right proportion of it, and no more, be allotted to the drawing. Fortunately for the advertising man (who is not an artist), the commercial artists can be referred, for master work of this kind, to many of the splendid frescoes of Raphael and Michael Angelo, who filled in arbitrary spaces as if they had been specially made for the pictures they placed therein.

Mechanical Limitations Must Never Be Overlooked

A commercial artist who can get around and over the obstacles which rise on every hand in reaching

the group is a rare one indeed and well worth the almost fabulous sums which he can command for his services.

Words, at best, are but symbols of ideas. Their value depends entirely upon the stage of development of the group spirit. Unless a large group had been taught that an arbitrary assemblage of certain letters of the alphabet transmits from one mind to another the idea which has previously been associated with this word, communication through the printed page would be impossible. For a foundation, then, we must have the group spirit. And the idea associated with any certain word must, as far as is possible, be kept the same.

Using Words to Convey Ideas

In advertising in the United States, it is always best to use Anglo-Saxon words, because more people understand them than those which are of Latin, Greek, or other derivation. Writers of effective advertising copy never cultivate what is called "style." They use words only to transmit an idea effectively, without diverting attention from the message itself. That is why pretty pictures and high-flown phrases often defeat the purposes of the advertiser.

Keep the Words Simple

Type, while wholly mechanical, permits of great variety of effects if skilfully handled. Many advertising men make accurate layouts, specifying the sizes and faces of type they wish used. This can be done quite easily by remembering

The Successful Use of Type

that all type is now made according to the point system, i. e., seventy-two points to an inch. Twelve-point type occupies exactly one-sixth of an inch. Most newspaper columns are two and one-sixth inches wide.*

Let the Master Compositor Work Out Details of Layout

In making layouts for advertising, the best plan is to indicate roughly all words and phrases which are to be displayed prominently, leaving to the good judgment of a thoroughly skilful and experienced superintendent of the type-setting room the selection of the best compositor for the particular work in hand. It is manifestly wiser for the man who cannot get such coöperation to make an accurate layout. This is merely a matter of careful measurement and correct arithmetic.

Building an Advertisement Likened to Building a House

It is possible for a man versed in the legibility of type faces to reset an advertisement which has a crowded and confused look (and is therefore repellent rather than attractive) in from 10 to 25 per cent. less space, and still have the advertisement appear larger than before. The architect who builds an apartment on a twenty-foot city lot, when compared with the old-time carpenter-contractor who "saved you money by drawing the plans himself," is an illustration of my point. When advertising space costs as much as $112 an inch, the economy of employing the

*"Mahin Advertising Data Book" lists the most serviceable faces of type and shows the number of capital and lower case letters which can be put in a line two and one-sixth inches wide.

most skilful manipulator of type faces is at once apparent.

Type faces stand very little wear. It is practicable to print direct from them only on small press runs.

How Type Is Used in Printing a Newspaper

None of the larger daily newspapers print direct from type. Their big perfecting presses require continuous rolls of paper and cylindrical printing plates, which are made as follows: type set up the size of the page is locked in a form; alternate sheets of tissue and blotting paper, with paste between each, are spread over it; and it is subjected to pressure under great heat. This dries the paper impression, which is called a matrix. The matrix is put in the bottom of a semicircular mold, and type metal is poured over it. In a few seconds the metal hardens, is taken out of the mold, and clamped on the cylinders of the printing presses, which turn out papers at the rate of 20,000 or more per hour per press. The heat necessary to make a matrix injures the type by expanding it; so those who advertise in a large way in many publications and want the best effects insist on having electrotypes.

The printing of books and high-class magazines and catalogues is quite different. Flat-bed presses are used and the whole type page is usually electrotyped. To make an electrotype, a wax impression is taken of the page, which may contain both type and illustration. This wax impression is dusted with plumbago, and put

How Type Is Used in Printing a Magazine

in a bath. An electric battery deposits a small sheet of copper on the face of it. A good electrotype requires a bath of from four to six hours. This shell is backed up with stereotyping metal and a printing plate made of it. A poor electrotype generally has an insufficient shell, which will not stand a long run, and is easily damaged.

The Making of Engravings

Drawings are changed into printing plates either by the zinc etching or the half-tone process. Wood engravings are practically obsolete. Half-tones and zinc etchings can be electrotyped, but with half-tones it is wiser to use the original plate and duplicate the same. An electrotype of a zinc etching is generally better than an original zinc. An electrotype can be re-electrotyped indefinitely, but each reproduction sacrifices something in printing quality. Men who are familiar with this fact can easily pick out a cheap electrotype or a reproduction from an electrotype. It shows up in the finished result, and is one of those savings which should not be countenanced.

Cheap Engravings Are Poor Economy

Nothing will demonstrate to the average advertiser the fact that the best engraving and plate-making house is none too good for his purpose, and that no money is saved by getting cheap work so well as a trip through a well-conducted shop, where he can see for himself how many processes there are where the least lack of knowledge, or of attention, would affect the finished result.

Printing plates and types are used in advertising in just two ways: (1) in space in newspapers, magazines, or class publications, such as trade, agricultural and technical papers, street-car cards, and posters, and (2) in specially printed matter, such as circulars, booklets, catalogues, and follow-up material.

Making the Most of Advertising Space

The blank space upon which printing is done may well be called one of the tools of trade. In considering how to get the best results, one must remember the size of the space available, the quality of paper, and the general appearance of the advertisements which will compete with it for attention, so that distinction may be secured either by emphasis or contrast.

Space Buying a Job for a Man of Long Experience

Space buying should be delegated to a man who has had years of experience in that work. You can be assured, when a publisher's rate-card shows a complicated list of discounts, that there is a minimum rate, and always a way by which the trained buyer, who knows how to present his proposition, can get an approximation of it.

In buying space, plates, art work, or printing, three things should be considered: (1) the cost of raw materials which will produce the right quality; (2) cost of supervision required to get the best results with the materials and the machinery used; and (3) the cost of expert help, getting the benefit of the experience of experts who have made a life study of that particular line of work. Their coöperation

is valuable and cannot be assured by always buying from the lowest bidder.

How to Get Good Printing

A printer who will coöperate with you in a sympathetic and intelligent way, understanding the purpose of your printed matter, will save you many times the difference between his higher price and that of the cheap printer who seeks your patronage through competitive bids. If you will frankly state to a competent and trustworthy printer the outside figure you can spend for a specific piece of printed matter, he can save you money in many ways.

For example, presses and paper of a certain size work best together. The big item in printing is the press work and paper. With rapidly moving presses, unless the distribution of the ink and the handling of wet sheets, after they are printed, is carefully watched, the result will be unsatisfactory.

Sometimes a catalogue just exceeds the postage limit, and has to have an extra stamp on it. A printer who is accustomed to working with the advertiser would have foreseen this, and would first have made a dummy, on specially selected paper, so that the full amount which Uncle Sam will carry for a specified sum will go into the book itself. The few cents needed for a better quality of paper, which weighs less, would mean a large saving.

"Look Before You Leap in Ordering Printed Matter"

If a postage expert should make a careful analysis

of the amount of money spent for postage during the year by some of the large and some of the small commercial houses, no doubt millions of dollars' worth of waste would be discovered. The postage expert is an unheard-of factor in business as yet, but the future holds out splendid prospects for such a profession.

The Postage-saving Expert a Coming Profession

Much might be said about various qualities of paper stock and printing inks, and about the rules for contrasting and combining colors. Whole books deal comprehensively with these subjects. Trade papers are continually publishing elaborate treatises on paper stock and color printing.

Paper Stock and Printing Inks

Just in this wealth of information and argument lies a danger for the advertiser. He may be led off into the by-paths of advertising procedure, into investigations and discussion which may be pleasurable and interesting, but which has little to do with effective merchandising and distribution.

The general rule for the use of words applies also to paper stock and colors: the consumer's attention must be gained, but without his being so fully taken up with the manner of expression that the advertiser's story is minimized or lost. This is the danger in using striking effects. There is fierce competition for the advertiser's money, and in making any decision he should keep this test uppermost: Is this the tool which will most adequately interpret my thought?

Judge Paper Stock and Inks by This Test —Does It Emphasize Itself in the Story

Greatest of All Advertising Tools Are Brains and Common Sense

Brains and common sense in seeking the reason for the rule rather than following the letter of the law, might be listed among the tools of advertising. They are as essential to satisfactory advertising service as they are to any other kind of service—no more and no less.

REFERENCES ON CHAPTER V

The newest and most effective tools of advertising are graphically and intelligently described in the printing-trade papers: *The American Printer* (New York), *The Printing Art* (Cambridge, Mass.), and the *Inland Printer* (Chicago).

Theodore Low De Vinne has published two books, "Plain Printing Types," 1900, and "Correct Composition," 1901 (The Century Company, New York), which should be in every advertising library.

A particularly delightful and inspiring book is "Printing in Relation to Graphic Art," 1903 (The Imperial Press, Cleveland), by George French.

There are many technical books on the various phases of plate-making and printing, most of which are advertised in the trade papers.

Frank Alvah Parsons' "Principles of Advertising Arrangement," 1912 (the Advertising Men's League of New York City), contains valuable information for those interested in the different phases of advertising display. The book is a series of ten lectures which treat in a technical manner the most important

factors to be considered in building a successful advertisement. Two chapters devoted to "The Use and Abuse of Decoration and Ornament" are particularly worth while.

Harry M. Basford has written a valuable book, "How to Estimate on Printing," 1913 (Oswald Publishing Company, New York). Good printers, like good lawyers and good doctors, are willing to tell their customers all they want to know. A reader will have more respect for good printers and the work they do after he reads Mr. Basford's book.

The "Graphic Arts and Crafts Year Book" (Graphic Arts Press, Hamilton, Ohio) contains the latest examples of color and process printing of all kinds on every variety of paper stock. Invaluable to printers.

CHAPTER VI

ADVERTISING MEDIUMS

THE group spirit creates the advertising medium. To think alike, people must continually receive through the same channel new impressions of ideas which in themselves may be old or new. Leaders of groups find that advertising is the most competent means of getting their ideas into the group consciousness.

Some mediums have greater prestige than others. By "prestige," I mean that standing which a man or an organization must have whose statements you accept with but little or no question.

Choosing the Medium of Greatest Prestige

Suppose that you are on the mailing list of a bond house, and are also a regular reader of a morning paper, a subscriber to a monthly magazine and an illustrated weekly of national circulation, a daily patron of the street cars and an unintentional though by no means uninfluenced observer of painted bulletins.

Suppose that the bond house sends you a circular, and that precisely the offer it makes you appears in your newspaper, your magazine, your illustrated weekly, in street cars, and on bulletin boards. Which will make the greatest impression?

A Case in Point

If your purchases from the bond house have been profitable, the chances are their circular would have the most prestige. Had you been indifferently served, or had you later found out, or thought you had found out, that some other house would have given you the same security and a better rate of interest, or if you had never made an investment of that sort and knew nothing at all about this bond house, save through the circular, it would be the least effective of the mediums reaching you.

But if you were in position to make an investment when you get the circular, but had never heard of the bond house, it is certain that the advertisement in your favorite magazine or in your daily paper would have given to the circular a prestige and influence which it could not possibly have had in any other case.

Prestige, therefore, is either the cumulative result of the best type of advertising, or it is a reinforcement of a previously created confidence in a medium in the minds of the individual members of the group which makes the medium possible.

Buying Space Requires Careful Analysis

Because of competition among men who own and control advertising mediums, it is wise to analyze and weigh carefully before buying space. So many delicate factors have to be considered in determining which is the best medium, or the best selection from a number of mediums.

The Intrinsic Value of Mediums and Aggressive Salesmanship

The keen observer will also discover a disparity between the intrinsic value of mediums and the aggressiveness and convincing power of the personal salesmanship which represents them. For many years country newspapers throughout the United States sold advertising space to patent-medicine houses for less than cost. These publishers figured that to get money for space they had to fill anyhow was like finding it. Skilful salesmen placed these remedies in drug stores and then made space contracts for from one to three years with publishers. Increased enlightenment on the part of the publisher has just about put an end to this kind of business.

Service by the Representative of a Medium Is an Important Factor

Many of the best and strongest mediums are represented by salesmen of the true service type, men who will not sell the advertiser space unless they are sure that the nature of his business and his plans for "cashing in" on his advertising expenditure will be acceptable to the readers of the medium. In contrast to this position we have that of a number of splendid advertising mediums which are undersold. The publishers take the ground that it is undignified to send out men to persuade the advertiser to use their columns. With still other mediums the personal salesmanship of the advertising representative is the most interesting, aggressive, and valuable service which the advertiser buys.

The first thing an advertiser has to do is to fix

clearly in his mind the characteristics of the particular group to which the story will most logically appeal. In some cases this group may be numerically smaller than that reached by the advertising medium. Then it is indeed wise for him to consider whether he will concentrate on one medium that has prestige, even though he cannot expect his own buying group to consist of more than a small portion of that which creates the medium, or if he shall use several units reaching groups smaller than that which he is creating for himself.

One Large Group vs. Several Small Groups

This is the problem which retail stores in big cities can never get away from. Shall the proprietor concentrate his appropriation on one publication, knowing that he could not possibly serve all of its readers if they should come to his store? Or shall he scatter his appropriation among several daily newspapers, knowing that from each he can gather a certain number of individuals most susceptible to his offers, just as with a magnet one can pick out from a tray of ashes and iron fillings every particle of metal?

If some one medium dominates the whole field, he must decide whether he will make his business conform to the characteristics of the group which constitutes the medium, or if he will make selections from various groups and build up a following of his own.

The problem is intensified as soon as mail-order ad-

vertising and national advertising are taken up. But I shall defer consideration of these subjects until a later chapter.

The Different Mediums Used in Advertising

The mediums which are recognized as worthy of every advertiser's consideration are listed as follows: Newspapers, Magazines (popular, technical, trade, and class), Street Cars, Posting, Painted Bulletins and Walls, Electric Signs, Window Displays, Store Demonstrations, Sampling, House-to-House Canvassing, Form Letters and Mailing Cards or Circulars sent to lists of names, Novelties, such as Calendars, Blotters, and the like.

Group of Advertisers Who Find Newspapers the Best Medium

What the newspaper gives us, no matter where it is published, is news. By "news" I mean a record of things that happen to people. They interest us because we are human and they might happen to us, too. The newspaper is ephemeral. Its mission is ended when it has been read; its life is over when the succeeding issue is on the market. It is as hard to find yesterday's newspaper as it is to remember who was the last vice-president.

The Daily Newspaper Ideal for Advertising the Local Store

Two distinct classes of advertisers, differing radically in character, find the newspaper their best avenue to a market. First of these is the retail store, which, in order to pay such constant overhead expenses as interest on capital, rent, salaries, insurance, etc., *must* do a business *every* day. The daily paper is the ideal medium for getting the public to come to

the store for a definite and specific purpose, a purpose which, if the truth be told, the advertiser has put into its mind.

The other class consists of those whose business timeliness is the most conspicuous feature. The newspaper is the best medium for satisfying occasional, temporary, and emergency business needs. The want columns of a metropolitan newspaper show up human nature in its most unsettled state with relation to business. It may seem paradoxical that the best publication for the continuous upbuilding of a strongly entrenched department store is also the most competent medium for the man out of a job or the employer who needs more help. In the "want ads" the man who has old clothes to sell can most speedily convert them into cash. There rooms are rented and roomers find new quarters. To any one who has never spent a couple of hours in reading the "Want Section" of a Sunday newspaper, I recommend it. He will get more thrills out of it and more things to think about, more sidelights on human nature, than are to be had in the same time in any other way.

The Newspaper Best Medium for Satisfying Immediate Needs

In the "want" columns and in the daily announcements of the department store the best appeal to the group which constitutes a newspaper must always be foremost—the timeliness of to-day's presentation and the necessity for immediate action. This is the general practice of the most successful advertisers.

Men who sell advertising space in magazines of which fiction is the important feature will tell you that there is a universal demand for such literature; and that it is when you are relaxed and reading a magazine that you are most ready to receive new ideas. It is noteworthy, also, that a fiction magazine can be picked up at any time, now or several months from now, with equal pleasure.

Fiction Magazines as an Advertising Medium

The advertiser whose goods can be sold all over the United States is urged to use national magazines, because, having a permanent story to tell, he reaches the public at a time when it is most likely to grant him consideration. Many advertisers have built up a large business in this way.

Some successful magazines, particularly our national weeklies, combine the "pulling" points of magazines and newspapers, i. e., (1) their fiction is of such quality as to be worth keeping for future reading, and (2) timely features are dealt with more thoroughly than the newspaper can treat them.

The National Weeklies as a Combination Newspaper and Magazine Medium

Advertisers classify technical, trade, and class publications as magazines, for the reason that the groups to which they appeal are not confined as to locality; they have subscribers in every part of the United States. A number of technical magazines are really trade directories the last issue of which may justly be regarded as a complete and up-to-date manual of a trade which may cover the entire United States,

Technical, Trade, and Class Publications

with representatives in almost every city. The same statement might be made concerning class papers, although sectional lines are more clearly drawn in this field.

Farm Papers, the Trade Publication of a Great Class

Farm papers are usually listed under class publications. Some of them have a national scope but deal with but one industry, such as horses, cattle, or poultry breeding. Others take up the detail of soil, climate, and the general conditions of the principal crop of the particular belt or territory they cover. The latter are really trade papers of over six million American farmers. Each one of them operates a farm large enough to be properly regarded as a business unit, a separate producing and merchandising establishment, as well as a consuming unit, connected with many different consuming groups.

How to Judge a Class Publication

In determining the value of these class publications, editorial prestige, the censorship of the advertising pages, the circulation of the paper, its prestige and subscription price, whether or not the sale of subscriptions is stimulated by offering premiums—and if so, what kind of premiums?—all these are factors which the advertiser who uses their space should consider seriously.

The "Mahin Advertising Data Book," 1913–1914 (page 427), classifies the 22,141 United States publications, with their aggregate circulation of 164,463,040. This list gives the advertiser ample opportunity, and, as is always the case where opportunity is large,

the responsibility for discrimination is increased exceedingly. The classification follows:

	NUMBER	AVERAGE CIRCULATION
Daily	2600	24,211,977
Sunday only	520	13,347,282
Semi and tri-weekly	708	2,648,308
Weekly	15,097	40,822,965
Monthly	2491	63,280,535
All other	725	20,151,793

REFERENCES ON CHAPTER VI

In "The Art of Newspaper Making," 1895 (D. Appleton & Company, New York), Charles A. Dana, one of the greatest American journalists, has given us his ideas about writing copy for and publishing a paper.

"The Autobiography of Benjamin Franklin," 1902 (Houghton, Mifflin & Company, New York), gives the reader a very good idea of the status of advertising at that time. Franklin foresaw the tremendous development of advertising mediums, and his pioneer work in system may well be regarded as the foundation of modern and scientific management.

"Astir," by John Adams Thayer, 1913 (Small, Maynard & Company, Boston), is a frank revelation of the ways of magazine publishers, their ideals, and their methods. If the book contained nothing more than his correspondence with Mr. Frank A. Munsey, who gave us the low-priced fiction magazine and has so largely influenced the history of publishing in the United States during the last twenty-five years—it would be worth careful reading.

CHAPTER VII

ADVERTISING MEDIUMS (*Continued*)

IN JANUARY, 1914, there were 58,000 street cars in operation in the United States, each carrying advertising. The standard street-car card is eleven inches high and twenty-one inches wide. Many manufacturers and retailers favor this form of advertising because it gives them a chance to reproduce their package in its original colors.

Street-car advertising is peculiarly adapted to continuous advertising, because the cars run every day in the year. They follow the arteries of trade. The number of cars run on any given line is increased just as fast as the number of patrons increases. More people means more cars, and that means more publicity for car cards. And the longer the haul, the more time the traveler has for reading these cards.

Street-car Advertising Analyzed

Several different cards may be run by the same manufacturer at the same time. Many advertisers use as many as six at once, with sixty words on each. Some favor the poster idea; others rely wholly upon text.

The Use, Checking, and Cost of Street-car Advertising

The advertiser is given a list of the numbers of the cars in which his cards are appearing; check-

ers visit the barns to verify these lists. Cards are changed once a month, usually. Street-car space costs 40 cents a card per month per car for a full run, and 45 cents for a half run.

The Forerunners of Modern Posting

Pasting sheets of printed paper on walls, the sides of barns, and on specially prepared boards is probably the most elementary form of advertising. Time tables tacked up in railway stations, notices pinned or pasted up in post-offices, the bulletin boards on which most large institutions make announcements—these were the forerunners of modern billposting.

The Evolution of the Twenty-four Sheet Poster

Circus and theatrical attractions, recognizing the power of color with the public, and desiring to create an impression of bigness, kept increasing the size of posters. In this way the 8-sheet, the 16-sheet, and 24-sheet posters of to-day came about. In an early day it was possible to print only one sheet, 28 x 42 inches, at a time. It had to be sent through the press once for each color; so the production of a 24-sheet poster meant a great deal of detail work in design, mechanical execution, handling in the printing offices, sampling, shipping, and in finally placing it on the boards.

Billposting Service as Standardized in United States

Billposting has been standardized in the United States. In about four thousand towns and cities there are regular plants which maintain boards uniformly eight feet high, but varying in width to accommodate one or many posters.

The 8-sheet poster is the unit of measurement. In large cities property owners get high rents for the ground on which the boards stand. Billposting service is usually sold at a certain price per sheet per month, ranging from 7 cents in smaller cities to 20 cents per sheet in New York and Chicago.

A billposter agrees to furnish a list of locations on which posters have been placed, and to keep them in good condition for thirty days. The advertiser furnishes from 10 to 20 per cent. more paper than the actual number of locations require. Since it is necessary to renew paper every thirty days, a month has become the basis on which it is sold.

Some advertisers post continuously, but change the showing once a month; others post alternate months; still others post one month in the spring and one in the fall. Some use posting only when they want to introduce a product.

Painted Bulletins

A painted bulletin is usually twenty-five feet long and eight feet high, made of galvanized iron, and sold on a twelve months' contract at 40 cents per running foot per month, to include one renewal a year. Rents for locations are higher than for billboards, because the contract runs for a longer period. In very many cities painted boards dominate the most populous centres. Advertisers who want to create an impression of permanence prefer paint.

The cheapest and most effective outdoor advertising is on outside store walls, if locations are

available. Successful advertisers usually go into a city, buy a well-distributed wall showing, and supplement it with painted bulletin locations wherever walls are not to be had. Walls are painted once a year. The minimum price is 5 cents per square foot. At that rate, a 20 x 40 foot wall costs the advertiser $40 for a twelve months' showing, this to include the cost of designing and painting.

Bulletins and Walls Compared

An 8 x 25 foot painted bulletin, being a selected location as a rule, is considered to have the same attention value as an 800-square-foot wall. Forty cents a month per running foot, or 5 cents per square foot per year, on a board eight feet high, means that a bulletin costs twelve times as much per square foot as a wall. But the 200 square feet in a 25-foot bulletin is usually considered equivalent to 800 feet in a wall, if one takes into consideration the better location, that the bulletin is painted twice a year, and that its smoother surface makes finer pictorial work possible.

The Comparative Cost of "Paper" and "Paint"

A 24-sheet poster, at 20 cents per sheet a month, costs $5.60. It is generally compared with a 25-foot bulletin, as they occupy about the same space. At 40 cents per running foot, a bulletin costs $10 a month. A poster costs $5.60 per month, plus the cost of paper, which will vary from 40 cents to $1 each, plus the cost of expressage. The cost of paint and paper is so nearly the same, therefore, that competition is keen wherever they are handled by dif-

ferent interests. In a number of prominent cities, notably Boston, Cleveland, Detroit, Seattle, Portland, San Francisco, and Los Angeles, paint and posting interests are identical. The tendency of advertisers generally is to use paint for twelve months' showing and paper for all shorter periods.

Electric Signs

Electric signs have become an important feature of outdoor advertising in large cities. It is difficult for some people to believe that a chewing-gum manufacturer, for example, can afford to pay $18,000 a year for an electric sign showing the full length of Broadway from Twenty-third to Forty-second Street, but that is less than $50 a day, and it may safely be said that at least 200,000 people, each having money enough to buy chewing-gum, see this sign every day.

This completes the list of mediums for which a national service has been organized. It is possible for an advertiser to get accurate information about all these mediums in one office, and also to contract therefor dependable, easily verifiable service, which will be billed to him monthly, and may be paid for with a single check.

There are other advertising mediums which are quite generally handled in the advertiser's organization.

Window Displays

Window displays can be purchased from houses which make a specialty of preparing them. But it is always wisest for the advertiser to have his own men put them up. A vast amount of lithographed material sent out to dealers is wasted. They store it, temporarily of course,

under the counter; and very often it gets no further. Sometimes it is never unpacked or brought up from the basement. Window display costs anywhere from 25 cents to several dollars per window. The advertiser should be very sure of results before he undertakes this form of advertising.

Store Demonstrations

Food manufacturers frequently use store demonstrations to introduce a product. The demonstrators should be capable saleswomen who can take enough orders and make enough direct sales to pay their way largely. Some retailers object to demonstrations, declaring that they divert attention from the regular stock. The average grocery store serves less than one hundred families; in fact, the average is only a little more than sixty. Unless the demonstrator does pay her way in actual sales, the publicity is very expensive.

Sampling

Sampling is also favored by food manufacturers. A crew of men, supervised by a dependable superintendent, gives samples direct to housewives, or hands out coupons redeemable at a grocery store either in full or part payment for a package of the goods being advertised. The manufacturer allows the grocer full credit, in lieu of cash for goods, for all coupons redeemed before a certain date.

House-to-house Canvassing

House-to-house canvassing is an extension of the demonstration idea. The canvasser frequently makes direct sales to the housewife and turns them over to her grocer. Sometimes

the canvasser goes out with the grocer's order boy, gives a talk about the goods at each stop, and makes direct sales.

Form Letters, Mailing Cards, Folders

Form letters, mailing cards, and folders have played a considerable rôle in advertising, and are still used by many advertisers. They are expensive when one considers the number of people reached, because Uncle Sam does not make a discriminating rate in favor of printed matter of this kind, as he does for newspapers, magazines, and periodicals which travel as second-class matter. Very often advertisers go to a dealer, sell him a bill of goods, and get the names of his customers and prospectives. The manufacturer believes he can demonstrate to the customer the merits of his goods more quickly and accurately than the dealer can. He also believes that the literature he sends to these customers influences and reinforces the dealer's attitude toward his product.

Cards and Other Printed Matter Used to Assist Salesmen

Mailing cards are sent out in advance of salesmen calling on the trade. They also announce changes in price. A number of wholesale jobbing houses get all orders from dealers through the mail. Such houses get out a catalogue at least once a month. Many jobbers anticipate the calls of their salesmen by working the trade by mail, hoping to get a small initial order, or a request for a salesman to call. Others send out printed matter, to keep up the

dealer's interest during the interval between the salesman's visits.

Calendars and Novelties

The use of calendars and novelties is quite a different but very popular form of advertising. Theoretically, the value of the calendar, or pocketbook, or knife, or blotter, with the advertiser's name on it is that because it is a useful article, it will keep the advertiser's name constantly before the user. The truth of the matter is that few men could tell you the name which is on the blotter which they have been using every day for a week.

Selling Ideas Used by Novelty Salesmen

The best novelty salesmen do not use the "Keep your name before the public" plea, for they know that the advertiser can get this service elsewhere for much less money. The plan most used is to ask a banker, for instance, how he would like to have fifty men who had never been in his bank, all of them desirable patrons, come in to see him and accept a favor from him, at a cost not to exceed 25 cents each. The first time it is presented, this proposition is very tempting. The salesman shows him a reproduction of a beautiful picture, explains that he will have it made up in a handsome calendar, and has the banker copy a form letter which has been successful in other places; it invites the recipient to stop at the bank some day, when he is going by, and get a calendar, which has been set aside for him. The salesman cautions the banker to write the man's name on the envelope

before he comes in, so that he will be sure to think he is getting something which has been especially reserved for him. One cannot say this is not successful advertising; and for certain lines of business it seems the cheapest and quickest approach.

Adding Value to Novelties

Novelty salesmen who want to build a permanent clientele are most concerned about *how* their customers use these novelties. Suppose that, having given a clerk a strong sales talk in which he emphasizes the chance to develop selling ability by making every effort to sell the article which the salesman has just sold the proprietor, the salesman hands the clerk a pencil and tells him to use it writing out orders. Every time he uses it, that pencil reminds the clerk of that sales talk. To merely hand out the pencil, as if the salesman himself considered it of but little value, would be sheer waste. Calendars and novelties should remind the recipient of a forceful sales talk; when they do, they have a sentimental value quite apart from and beyond their actual cost.

Moving-picture Slides

Slides for motion-picture houses are worth while for local merchants who have the exclusive sale of a nationally advertised brand of goods for their own city or a restricted community. Attempts have been made to organize the motion-picture business, so that slides might be sold on a national service basis; but very little headway has been made.

REFERENCES ON CHAPTER VII

There is plenty of literature about advertising mediums. Publishers and space-owners are continually putting out books that deal with one or another phase of the subject. Much of this material might be classed as special pleading. Too much of it extols one class of mediums and condemns all others.

Especially noteworthy is "Selling Forces," 1913, by the Curtis Publishing Company. It covers a broad field and is a comprehensive and authoritative treatise on the whole subject of advertising.

Henry S. Bunting has written several books on novelty advertising. All of them are worth reading. "Specialty Advertising," 1913 (the Novelty News Company, Chicago), is his latest and best. It defines clearly the principles which underlie all successful advertising.

For practical suggestions and methods, see "Poster Advertising," 1910, by G. H. E. Hawkins, Chicago, also "Newspaper Advertising," 1914, by the same author.

CHAPTER VIII

BUILDING AND TESTING AN ADVERTISEMENT

COPY is the term by which advertising men designate everything the advertiser puts into the space he buys. It is *built*, rather than written or designed.

What the Copy Writer Should Know

A copy writer should have an accurate, comprehensive statement of the characteristics of the group to whom the copy is to appeal. He should *know* what the wares advertised will do, and what they cannot be expected to do, in the hands of the consumer. He should have before him an analysis of all competitors' advertising, so that he may not reinforce their work by using points which they have preëmpted. He should know what kind of salesmanship, written and personal, is to be used in connection with the copy. He usually has the responsibility of preparing anticipatory and follow-up literature to be used in connection with advertisements to appear in standard mediums. In order to do this most effectively, he ought to be thoroughly saturated with the sales policy of the house for which he is writing.

A copy writer should regard himself as an inter-

preter between the man who has something to sell and the people who can use it. Many points which the manufacturer finds interesting, in producing his wares, would only confuse the buyer and distract his attention. The purchaser is primarily interested in the satisfaction he derives from his purchase. His point of view differs radically from that of the retail clerk, or the dealer, or the salesman who represents the manufacturer in distributing his goods through the established channels of trade.

The Copy Writer an Interpreter Between Advertiser and Buying Group

Unless the copy writer and the commercial artist can almost intuitively grasp the group spirit, and emphasize in words and pictures those points of the article being advertised which will appeal most strongly to the individuals which compose the group, their technical ability will count for very little. I am convinced that the number of persons who can write or illustrate advertising copy is comparatively small. They must have a natural bent or gift for it, somewhat akin to the reporter's "nose for news." It is certain, however, that experience and the following of generally accepted standards will develop, intensify, and make more practical a natural gift for writing and illustrating copy.

Writing and Illustrating Advertisements with a Strong Group Appeal—a Natural Gift

The novel and spectacular can generally be found within the advertiser's organization or in the wares produced. The copy writer who gives the impression that he has *created* the novel or sen-

sational features of the advertising, defeats its purpose.

Diagramming the Advertisement

When the size of an advertisement and what is to be said in it have been determined, the best plan is for the copy writer to make a diagram, enclosing the exact amount of space to be used; then indicate that portion which will be reserved for illustration; locate with heavy lines, or letter in, the large display words, in order to get the proper emphasis and balance for the principal points; and finally fill in the intervening spaces with the text matter.

Brevity Not Necessarily Good

It is a great mistake to believe that, because people remember very little of what they see, an advertisement should consist of very few words. We remember Dickens' characters because he restated their peculiarities again and again, until they were unforgettable. A good story writer grips the reader's attention in the first paragraph and carries it through column after column of interesting matter, all the time burning into his consciousness the points which are to be emphasized.

Advertisements Must Attract and Create Desire to Buy

Display advertisements serve two purposes: (1) they impress the casual reader, and (2) they put the buying impulse into the mind of the possible customer. Both kinds must be considered in making a layout. An advertisement needs to be a good one, even if it is to have no more attention than that casually given to a poster. Small type should be saved for *clinching*

the buying impulse, for if the reader takes time to read the small type, it means that his curiosity has been aroused by the display features.

Ten Tests of an Advertisement

The ten tests which follow were formulated for checking up work in our organization. But they will be of use to the copy writer, to the retailer who has an advertising manager, to the manufacturer, to the sales manager, and to the salesman.

(1) *Is your advertisement institutional?* Does it appeal most strongly to the group spirit of the people to whom it is directed? To answer this question one must have complete data as to the tastes, incomes, ideals, purposes, and habits of life of the group which is to be influenced. It also calls for the intelligent scrutiny of the reading pages of those publications which have the largest circulation in that group.

An institution is composed of individuals who have many thoughts in common. The circulation of a successful publication is institutional. The group which reads a single publication, day after day, will unconsciously be influenced by and then accept its institutional viewpoint. A well-managed business house develops an established order of doing things. This makes it institutional in character.

The best copy reflects the institutional quality of the business which it is promoting, and takes cognizance, in its appeal, of the institutional traits of the readers.

(2) *Is your copy natural?* An advertisement should carry over to the reader the individuality of the advertiser. Some publicity fails because the author of it is under the strain of being unnatural. His copy is forced, and does not ring true. A good advertisement is a mental photograph of the policy and principles of the advertiser. The copy writer must be able to interpret the advertiser's personality, and so to express his ideas in print that they are instantly recognized as a sincere message from him. The copy writer who can make his copy carry over to the reader that intangible something which pervades every successful commercial organization is a success.

(3) *Is it specific?* Unless it possess individuality, an advertisement helps competitors as much as it does the institution which is paying for it. To find out whether or not an advertisement is specific, substitute the name of a competitor. If the advertisement is just as effective, it lacks individuality. A specific advertisement meets conditions squarely as they are, not as they ought to be. It gives a definite reason for wishing the prospective customer's immediate attention, and justifies its existence from the viewpoint of the advertiser.

It should so concentrate attention on the article advertised that the reader will be completely absorbed in and unconsciously obtain a clear idea of the story itself, rather than be impressed merely by the manner in which it has been told. If the cleverness of wording or a too challenging illustration divert the

reader's attention from the article itself, the advertisement is a failure.

(4) *Is it timely?* Timely advertising inspires the belief that the advertiser is wide awake. From the general trend of events, successful general advertisers forecast conditions for the various seasons of the year, and make plans months ahead. The retailer should do likewise. It gets much more satisfactory results than will a patchwork campaign constructed from day to day in a hit-or-miss fashion.

Should the advertiser wish to take advantage of some unusual event, it is very easy to substitute a piece of timely copy which will be in harmony both with what has preceded and with what is to follow. In conducting an editorial or a feature campaign, a newspaper is almost sure to create and crystallize a sentiment upon which an advertiser can "cash in" by adapting his copy to the timeliness of the reading pages. Timeliness is offering the public what it wants just when it ought to want it most.

(5) *Is it pertinent?* An advertisement should be written with due regard to the viewpoint of the purchaser. "How is it made?" does not interest him so much as "What will it do for *me?*" It is often well to humor pretended motives, or subtly to suggest the real ones. Many a piano is bought for another purpose than to develop the musical talent of a family. The purchase actually marks its social advancement from the breadwinning state to the possession of a recognized luxury.

Suggestion, the most potent element of personal salesmanship, is utilized no less effectively on the printed page. A father who believes that the possession of a diamond would foster in his daughter a love of display and extravagance will not buy her one; but he might be won over by the suggestion that in no other way could he make so concrete and permanent an expression of the sentiment he entertains for her. It is often a devious mental route which leads to the pursestrings of the public.

(6) *Is it consistent?* A consistent advertisement must survive all the previously outlined tests; and it must do more. It must be a perfect link in the chain of the advertiser's selling policy. Consistency calls for coöperation from the advertiser's salespeople. He cannot get this unless he instructs them fully about the purpose of his advertising and the part each is expected to perform in "cashing in" on it. Consistency covers the relationship of the component parts of a campaign to the proposition as a whole. Methods that bring success to one institution are ridiculously useless for another. To exploit a bank in the extravagant superlatives of a circus publicity man would be absurd, and disastrous. On the other hand, some advertisers, fearing to appear undignified or sensational, actually say nothing that is interesting in their announcements.

(7) *Is it persistent?* A single advertisement cannot be said to possess the quality of persistency, but it can form a part of and bear out a plan to which

a business has adhered strictly for years. A trademark indicates that each advertisement containing it is one of a series, or that the use of advertising space is the established policy of the house. In no other way can a merchant win confidence or establish so thorough a credit with the public as by advertising prudently and persistently. Confidence is a plant of slow growth, and persistency is its sun, rain, and fertilizer. A persistent advertising campaign covering a period of three years in legitimate publications will seldom fail to produce a "good-will" asset worth at least as much as the amount of money spent for space during that time.

(8) *Is it authoritative?* The leaders of the masses have one distinguishing characteristic in common—they are confident in affirmation. The advertiser must at all times and under all conditions maintain an authoritative tone. No one believes a man whose advertisements show that he does not believe in himself. Without the reader's confidence, advertising is wasting money.

Yet too wanton an exhibition of self-confidence is dangerous. The public will side with a man who demonstrates his leadership, but it cannot be bulldozed. The results of advertising are dependent upon the voluntary action of free people; threats, scares, or pessimistic utterances never make friends or customers. Optimism is a confidence-inspiring tonic. The optimist who is tempered by self-control is the successful advertiser.

(9) *Is it plausible?* The word "plausible" has been in bad company. Its exact meaning is "to tell a story so that it is most acceptable to the reader." All advertising should serve the reader. Therefore the truth should be plausibly told if in that way the reader can most easily grasp it.

It is not enough that an advertisement tell the truth. The reader must *believe* before it can bring results. Good advertising copy is 100 per cent. salesmanship, not 125 per cent., which the wise buyer discounts at once, nor 75 per cent., the weak refuge of negatively honest men who endeavor to conceal their own shortcomings by decrying others. One hundred per cent. salesmanship is the ability to state in an interesting and convincing (hence plausible) manner all the desirable features of an article.

(10) *Is it sincere?* The best advertisement influences the reader to buy, honestly feeling that he or she has acted on his or her own judgment. Sincerity is indicated by the use of simple sentences and terse, frank statements. Clearness of expression, fidelity in illustration, and accuracy in description are the natural reflections of a sincere state of mind. Sincerity cannot be feigned; it must actually exist. Where it does exist, the matter of expression will take care of itself.

REFERENCES ON CHAPTER VIII

Some years ago a host of correspondence schools were offering to teach young men and women how to

write advertisements. One of the special inducements was the promise of a large salary. The opportunities for such salaries do exist. But no correspondence course fits a man for earning one. He must also have experience. So far as I have had experience with them, these schools are worth while. One of the best things a student gets there is the habit of regular, systematic study. Any correspondence course on any subject will do this.

The text-books of the International Correspondence Schools, Scranton, Pa., are particularly accurate and complete, and cover a wide range of technical detail.

"Practical Publicity," 1906 (the Matthews-Northrup Works, Buffalo), by Truman A. DeWeese, is a "work for the advertiser, and is intended to be helpful to every man who has anything to sell and who is ambitious to enlarge the market for his product," to put it in the author's own words. The book is adequate and unusually readable.

CHAPTER IX

APPLICATION OF THE TEN TESTS

IN ORDER to suggest a method of the application of the principles outlined in the previous chapters, and particularly the ten tests given in the previous chapter, I am showing herewith characteristic advertisements of John Wanamaker of Philadelphia, Marshall Field & Company of Chicago, Filene's of Boston, William Taylor & Son of Cleveland, B. Altman & Company, Saks & Company, and Rogers Peet Company of New York City. I have chosen purposely specimens of advertising of houses whose advertising is generally considered to be the best in the retail field.

In each one of these advertisements, which are reproduced from the daily papers, the test of institutionalism is justified by the tone of each advertisement taken as a whole.

Institutionalism as Embodied in Newspaper Advertisements

Each one of the stores represented has, after years of patient and continuous advertising, built up a constituency that has characteristics individual, distinctive, and responsive to a form of announcement that has stood the test of time, and which suggests confidence because of familiarity.

B. Altman & Co.

have prepared for to-morrow (Thursday)

An Interesting Sale of Women's Summer Blouses

In attractive styles and such desirable lingerie fabrics as batiste, organdie and voile, at the exceptional prices of

$1.90, $2.25, $3.75, $4.65 & $6.75

In the regular stock of the Women's Blouse Department will be found Sports Blouses of imported silk Jersey, in all the desirable shades. These Blouses are particularly desirable for golf, tennis, motor and general sports or travel wear.

B. Altman & Co.

The Corset Department

has ready for selection a large and comprehensive assortment of Summer Corsets, made of the thin materials indispensable for warm-weather wear. Among them are Corsets of openwork material, plain and figured batiste and all-over embroidery; also of extremely light-weight tricot and tricotine. These Corsets are shown in the regular stock at prices ranging from . $1.00 to 15.00

Summer Brassieres and Soutien-gorges, made of net (with shields), cambric, all-over embroidery, silk tricotine, etc., are shown in the regular stock of the Corset Department variously priced . . at 50c. to $8.50

FURS, RUGS AND DRAPERIES STORED IN VAULTS ON THE PREMISES

(Telephone 7000 Murray Hill)

Fifth Avenue, 34th and 35th Streets, New York

Today and Tomorrow
the last two days for

Men's High & Low Shoes at these reductions

Button, lace and Blucher styles, in patent coltskin, gun metal calfskin, black and brown vici kid, and tan Russia calf. And every pair made on a new last, especially designed for us, that these Shoes may conform to current footwear modes and yet be readily distinguishable from the average.

$5 High and Low Shoes at $3.85
$4 High and Low Shoes at $2.95

Men's Duster Sale

In our Motor Apparel Dept.—today

$7.00 Dusters at $4.75

Mohair and natural linen dusters of very serviceable quality, in single and double breasted models.

$12.00 Dusters at $7.50

Imported pongees in gray and tan and mohairs in medium gray, made in either single or double breasted models

Very special for today and tomorrow—Men's

$1.50 Negligee Shirts pleated and plain at 95c

No half-way merit about these values—they are simply great. Made of Madras, percale, crepe and mercerized fabrics, in a splendid assortment of designs and colors

Extraordinary sale today and tomorrow of

Men's $6.00 Blanket and Terry Bath Robes at $2.85

New—not resurrected patterns—but new, snappy merchandise, marked at a special price for a one-day drive. A splendid assortment of designs

Saks & Company

Broadway at 34th Street

TO THE FEDERATION OF WOMEN'S CLUBS

This Store extends greetings, and places at the disposal of the thousands of visitors the service of this organization in its every phase.

THE GENERAL BOOKING bureau the Washington Street Entrance, to the Tea Room Booking, where one may leave messages for the party Should 42 to meet a friend, more or less, Should need a message to Chicago or elsewhere, and where information is gladly given.

THE READING WRITING AND REST ROOMS. These Floors offering many conveniences of the home—many of them the Silence Room in which rest may be had for a quarter to 4 or of dust and mental peace.

THE INFORMATION BUREAU the Library and Writing Room, the Model Kitchen, the Auditorium Entrance and the Postal Station all offering conveniences and courtesies of the busy shopper.

MARSHALL FIELD & COMPANY

Moths may be quickly destroying your Finest Furs, Apparel or Upholstery. The only SURE protection is in our COLD DRY AIR STORAGE VAULTS where moths cannot live. Telephone Private Exchange One, Gramercy 10 and we will call.

First Clearance

Wool Dress Goods Remnants

We desire to dispose very quickly and completely of all the remnants remaining in our Colored and Black Dress Goods Sections. To accomplish this, we have made further and final reductions on every one. This occasion presents the very best opportunity of the entire season to economize on Dress Goods needs. *Second Floor.*

33-inch Imported Natural Shantung

All-Silk Pongee at 65c a Yard.

A fabric known for its dependably splendid washing qualities and general all-round usefulness, especially suitable for traveling dresses, skirts worn in tub frocks for outing wear, also pajamas. Plain of now at a price which should sell this quantity quickly. *Second Floor.*

Women's Summer Dresses, Hundreds, in a Special Sale at $10.00

Our new Wabash Avenue Salesroom for Women's Street Dresses (from $5.00 to $25.00) has been open but one week. Yet during that time thousands of the women of Chicago have visited it, drawn here by the exceptional merchandise being displayed.

Following our daily policy here at that opening the Dresses offered for tomorrow will stand out as some of the finest values we have ever shown.

(A) Of fine, soft voile, in a wide dresden, bird motif. A dress that may be worn—

(B) Bemaided crepe dress, with organdy collar, collar and cuffs, bow tunic. Plain, Cornflower and white.

(C) Dresses for morning wear, of fine dark dimity. Cream lace bow, in white, Copenhagen, rose, gray, tan and lavender.

(D) Voile dresses with hair stripes and polka dot, dresden and color stripped with lace.

light linen. All neck trims in tailette Ribbon to match, pink and light blue included. Other shades extra. 2 and 3 inch bordered and color striped ribbon in white, pink and light blue.

ORIENTAL RUGS—

At Prices Hard to Parallel at Any Time

We desire an opportunity to prove to you by showing the Rugs themselves that the prices we quote are exceedingly low—or looking at it from the other viewpoint, that the Rugs are remarkably fine at the prices. The designs are so individual that the very expression of a room can be changed by shifting the position of the Rug. We especially commend the following

Mesopotamian Mosul Rugs, Persian Serabend Rugs, $3.9 by 6.6 in. size, $12.50 to $25.00.

Persian Sarouk Rugs, closely woven, 3.3 by 5.3 in. size, $17.50 to $32.50.

Room-Size Rugs, from Shiraz, 5.8 by 8.0 in., at $90.00, in a magnificent large Kermanshah at $1350.00.

Third Floor

Fine China Wedding Gifts

At Reduced Prices, $1.00 to $25.00.

Fine pieces of China from our regular stock have been radically reduced for June Wedding Gift buyers.

Attractively displayed in our newly located China Section. *Second Floor, North Wabash Avenue.*

All desirable pieces are included, from small Olive Dishes to a piece of Dresden or Sets of Service Plates.

THE JUNE SALE OF DINNER SETS CONTINUES $12.50 $19.75 $21.00 TO $100.00

CUT GLASS—LOW PRICED

Specials as Gifts for June Brides

$2.00 $3.50 $4.00

Olive Dishes, 6 inches in diameter, with or without handles, 85c each.

Sugar and Cream Sets, cut handles, $1.75 set.

12-inch Vases, cut with diamond point in center of fairly lean (illustration), $2.50 each.

Electric Lamps, 13 inches high, globe 8 inches wide, hand fringe, complete with 6-c. p. bulb, $5.00—illustrated.

Footed Bowls, which may be used as Compotes, two pieces for the price of one, $3.50 set.

A general assortment of Cut Glass, Rock Crystal, Bohemian Glass and Fancy Imported Glass, in fancy pieces at liberal savings. Second Floor.

The Tudor Living Room

which we recently bought in England now which has been re-erected in our Austin Room is exciting a great deal of interest, and the number of visitors is increasing daily.

It's opened to all a warm welcome to one who reads the art and of a bad new taste about ten year 1603 and was lived in by Catherine Parr, widow of Henry VIII.

Fifth Floor, North Street, Wabash Avenue.

A Rare Collection of 350 Japanese Water Colors

Now on Exhibition on our Private Galleries

This is probably the most representative showing of water colors by the leading Japanese artists that has ever been made in Chicago or vicinity.

Each exhibit was painted under the direction of Theodore Ernest Fox Cook, former head of the Japanese department of the Museum of Fine Arts and who was the Imperial Institute of Tokio.

These include Trip-plays on silk and paper, Water Colors on silk and paper, and Kakemono paintings.

The subjects are mostly birds, flowers and fishes. Each picture is signed by the artist and bears his personal seal. Prices are actually levied to new items.

The prices are $6, $8.00, $12.50, $15.00, $18.00 and $21.00

Included in the collection are Hand-Colored Japanese Photographs at $3c.

Fourth Floor, Auditorium Building.

OUTDOOR PORCH SHADES keep out the sun and let in the breeze. Convenient and economical. Fifth Floor.

Only Seven Days More of the Clearance of COWAN FURNITURE

The opportunity for securing pieces of this high grade Furniture at unprecedented prices is rapidly drawing to a close. The wants of the future should be anticipated this week, as the opportunity will probably never be presented again. Furniture for every part of the home is represented.

Eighth Floor

ANNOUNCING

An exhibition of

HIGH GRADE FOOTWEAR

which, we can safely say, has never been equalled.

Our enlarged Sections for Women's and Children's Shoes, now practically completed, are formally opened today. This will emphasize the largest, most complete, and most elegant Women's and Children's Shoe Section in existence.

Included are many new ideas that will undoubtedly be extensively copied. The exclusive and unusual throughout the week. The public is cordially invited.

Fourth Floor

The Ribbon Sale Is at Its Height

Has been by far the most successful of all our previous events. The present stock is, we believe, the largest and most complete collection of Ribbons ever placed on sale anywhere. The immense assortment has been increased every day by new arrivals. As rapidly as our regular lines are depleted they are supplemented from an enormous reserve—thus leaving the entire stock still complete and intact with clean fresh Ribbons in as large variety as at any time since the sale began

45 to 10-inch Bemaided Taffeta, Bemaided Satin, Striped Taffeta, Plain Taffeta Cluster and Many Printed Taffeta with Plain Satin Stripe, Satin and Moire, a large variety of patterns in light and dark grounds at 25c, 30c, 35c, 45c, 50c, and 60c per yard.

All-Silk Wash Ribbon in two pongee. 36 inches and have been purchased to match pink and light blue. 24 inch plain white taffeta Ribbon to match, pink and light blue included. Other shades extra. 2 and 3 inch bordered and color striped ribbon in white, pink and light blue.

The Newest Ideas in Smart Blouses

At $3.98—Fine muslin, one of fine organdy, made with pointed front and back, long sleeves, roll collar finished with novelty tie. Our colors, of crepe de chine, for white and Sand, with collar, vest and cuffs of black and white striped organdy.

At $5.00—Fine sheer muslin, of fine batiste, made with fancy tucked front and back, long sleeves, roll collar and turn-back cuffs, finished with hemstitched hem. Our colors of white, finished front and back, low collar and short sleeves.

At $5.00—A pretty model in white voile, with sleeves and roll collar hand embroidered in front.

At $7.50—Two models in Dimity and one of Voile front made with the standard waistband of pique, finished with large collar and turnback, long sleeves, collar and cuffs of pique, the other model of fine batiste pointed front and back, and pointed collar and short sleeves. *Fourth Floor*

Graduation Gifts

For Boys and Girls.

Tokens of regard that will be as treasured as the gifts that commemorate any other events of a life can readily be found in our displays on the First Floor of the Wabash Avenue Building. A load of suggestions of any intended recipients will be sent.

Gifts for Boys.

Knee Wash Polo Rings
Field Glasses Watch Chains
Watches Chain Pins
Hat Bands Coat Buttons
Golf Trousers Military Brushes
Suits for Girls.

Knicker Dressing
Sweaters Bags Sets
Shoes Garters Hair Pins
Wristlet Necklaces Jewelry
Hats Mesh Bags Rings
Fancy Canes Bracelets
Bathing Suits Combs Brush and Mirror Sets.

June Specials.

Maids' Aprons, 46c.

Maids' Aprons, 20 inches in length, good print of fine linen, embroidery insertion in shoulder straps and two embroidery insertions in skirt, 46c.

Maids' Aprons, round style, made of dotted Swiss muslin, embroidery ruffle, bib and straps, 46c.

Fourth Floor, North Street, Wabash Avenue.

White Novelty Crepe Voile, Yard, 35c.

Another great White Goods value—perfect in style, weight and finish is this dainty Crepe Voile, with dependable checked effect. Just the material for making sheer waists and frocks. We anticipate a great deal of deserved attention for this sale.

Second Floor

Flags for Flag Day

Standard Wool Bunting, fast colors, several stripes, with staff and spear heading, 60 stars at correspondingly low prices

Flag Day is on June 14th.

3 by 5 feet at $1.39
4 by 6 feet at 2.50
5 by 10 feet at 3.75
6 by 12 feet at 5.00

Flag Poles Brass-tops, Spears, Eagles and a full line of accessories.

Fourth Floor

Linens for Wedding Gifts.

Linens are appreciated as much as any gift the bride receives for every household is proud of her linen chest. Unusual preparations have been made this year to meet the demands always made on this Section during the month of weddings. The assortments in Linens from new arrivals and the values are excellent.

We suggest that a few of the many articles to note follow.

LUNCHEON NAPKINS.

Pure-Flax Damask Work Fancy centers, size 13 to be $2.50 at Fine lace edge and scrib, size, $2.00 to $3.00. Plain centered size, $1.50 to $2.00 size, $2.50 to $3.00. Hemstitched, pure damask, size, $1.50, $2.00 to $3.00. Fine Linen Damask, hemstitched, pure damask, special value, size, $1.50, $2.00 to $3.00.

CENTER PIECES.

A special lot of Madeira Embroidered Center Pieces, at $3.00 each. Hemstitched Linen Damask, Mosaic Reticulated and Fine Lace edging in sizes from 18x36 to 54x90 inches.

TEA CLOTHS.

Fine Linen hemstitched damasks 36x36 to 54x54, $1.00 to $2.00. Hemstitched, pure damask, size, 36x36 to 54x54, $1.50 to $2.00. Hemstitched, pure damask, size, 36x36 to 54x54, $2.00 to $3.00. Hemstitched Madeira Embroidered Linen Damask, size, 36x36 to 54x54, $3.00 to $4.00.

Special Sale of Bed Spreads

Imported Canterbury Crotonne Bed Spreads with scalloped edges and Bolster Covers to match. A large assortment of pretty patterns in pink, blue and yellow combinations of colors. Full size, $4.00 a set. Three-quarter size, $3.50 a set, single size, $3.00 a set.

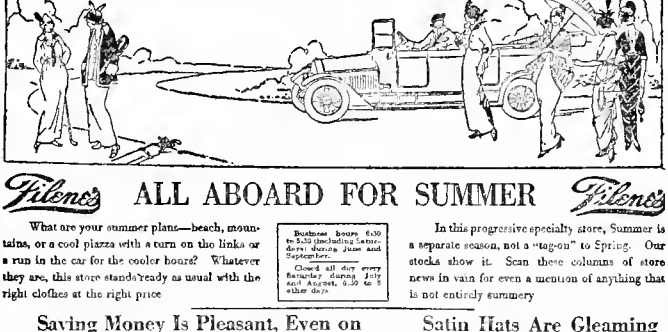
Satin Marseilles bed Spreads with scalloped edges and Bolster Covers to match. These bed Sets are made of the best selected pyrus, carefully selected wearing qualities; specially priced for this sale.

9-by-100 inches, a set	$5.00
9-by-90 inches, a set	$4.50
72 by 90 inches, a set	$4.00
72 by 90 inches, a set	$3.50

Rolled Bed Spreads with fine scalloped edges, some with Bolster Covers to match. Imported and very fine Marseilles manufactures, all sizes, specially priced for clearance.

Fourth Floor, North Street

Better telephone Oxford 1 and have your Furs put in Safe Cold Storage at once



Filene's ALL ABOARD FOR SUMMER Filene's

What are your summer plans—beach, mountains, or a cool piazza with a turn on the links or a run in the car for the cooler hours? Whatever they are, this store stands ready as usual with the right clothes at the right price

Business hours 8:30 to 5:30 (including Saturdays) during June and September.

Closed all day every Saturday during July and August, 8:30 to 1 other days

In this progressive specialty store, Summer is a separate season, not a "stag-on" to Spring. Our stocks show it. Scan these columns of store news in vain for even a mention of anything that is not entirely summery

Saving Money Is Pleasant, Even on Class Day and Commencement Dresses

Tomorrow one can come into the women's dress shop and buy a charming lingerie frock for a Class Day campus, a white net Commencement dress, or a silk dress for a Class Day spread for much less than such dresses usually cost, even here.

Plenty of Summer dresses from wedding guests to street frocks are ready, too, for the demands that June will make.

$15 for $25 Lingerie Dresses

The first embroidery-bordered voile dresses we have seen with the very long new tunic

Sashes of moire ribbon.

$15 for $25 Net Commencement Dresses

These are the result of some very clever designing. The skirt is a succession of flounces, each shorter than the one above, the waist has deep "Bergere" frills, each is kilted-broche.

Figured Crepe and Velvet Ribbon Made This Unusual Dress at $15

Only exciting dresses we believe, have shown this bordering of long tunic and wide girdle with black velvet ribbon. Maisie silk-embroidered than crepe in rose, green, blue or black. Usually $25.00

$18.50 for $25 Crepe de Chine "Quaker" Dresses

This dress is notable for the new pointed "Quaker" collar of white organdie and the long box plaited tunic below the hips. Good colors: greens, browns, blacks and whites.

(Filene's—Fifth Floor)

Women's $40 New Silk Suits, $25

The model is the very one we have been selling in moire at $40. These suits are of faille, in black, navy, blue, light blue and taupe. The fullness of the coat is held in with big silk cords. Long tunic skirt.

$25 New Blue Cloth Suits at $15

One is the most successful plain-tailored model we have had at $25. It is of serge, with button-trimmed coat and tunic skirt. The other is very similar to what the fall suits will be. It is of serge and poplin with long Russian tunic and Paquin coat-tail.

$15 Cool Linen Suits for $10

One has kimono sleeve coat and long "flyback" tunic. Another has Medici collar, lined with white paque, and three tier skirt. WHITE SERGE SUITS are ready at $15 to $10.

(Filene's—Fifth Floor)

Crest Brand Underwear

will not shrink, fits without fullness, and is cut to stay up on the shoulder where it belongs.

Women's Crest Brand Union Suits are 50c and more

Women's Crest Brand Vests are 25c and more.

(Filene's—Third Floor)

June Sale of Aprons

59c for $1 Apron Sets

Percale, gingham and chambray overall aprons, with cap to match, attractively trimmed; elbow sleeves; button in front.

79c for $1.25 Dress Aprons

Fitted percale dress aprons fastening to waistline behind; gored skirt fitted at waist; kimono sleeves, colored embroidery piping. Sizes 34 to 44.

$1 for New Reversible Dress Aprons

can be worn with either side in front, giving double service; adjustable belt. Made on accurate dress patterns. Sizes 34 to 44.

$1.39 for $1.75 New Crepe Apron Sets

A Filene idea. Dainty crepe edged with ball fringe. New shaped neck and puff sleeves. Graded sizes 34 to 44.

(Filene's—Third Floor)

Renova Cleaning

A long-standard Cleaning Service for Your Dress, Clothing, Furnishings

Specialty for This Week

Ladies' and Children's Dresses, all washable $1.50 to $2.50 values, $1.00. Silk dresses, $1.50. Others proportionately low.

(Filene's—Lower Floor)

Girls' Muslin Dresses

Flowered muslin tunic dresses edged with fluffy lace for girls of 6 to 14 are only $3.

Dotted muslin "Eyet" dresses with low necklet, buttoned from neck to hem, 6 to 14 years, $5.

Growing girls of 13 to 17 years for whom it is difficult to get right dresses, may have flowered muslin sash dresses, $5; muslin dimity tunic dresses, $3.95.

(Filene's—Fourth Floor)

Satin Hats Are Gleaming

in the Millinery Shop

White satin or blush-rose satin hats, decked with little wings or wound around with a soft pink bird-breast.

PANAMAS were never more irresistible. Here are big and little ones, sashed or winged, all as cool as they look.

ENOA sailors, horse-hair lace hats, and soft crepe hats are other tokens of Summer in the Millinery Shop.

You can pick up a charming Summer hat here for surprisingly little $2. and $7.50

(Filene's—Fifth Floor)

The "Eleanor Wilson" Cape

has come to the Women's Coat Shop. It is made in the same way as the one chosen by the daughter of the President for her love scene. Black satin, lined with black and white stripe silk, tied with long ends that pass around the waist.

Capes Have Come to Stay

Here are dress capes and sport capes and capes that can go anywhere, in satin, diagonals, checks, epingle or serge.

At **$10.75** are tweeds, serges and checks with lace cape sleeves, and loose box or double ripple capes with short kilted front.

At **$15** are wonderfully good diagonal capes with Roman stripe moire underlinings. In serge capes coats with sleeves are **$18.50.**

Serge coats with removable capes are **$19.75.**

(Filene's—Fifth Floor)

Five-Dollar Tub Skirts

Piques, cottons, khakis, linens, crepes and burlaps—coat skirts, tunic skirts, "apron" skirts, Russian skirts and belted skirts $5.

Two strangers in the Skirt Shop deserve a mention. One is of fine cordelaine, with tailored hip-flounces. The other is a Cornish linen with long "apron" tunic. Each is **$5.**

Other Tub Skirts are **$2.95** to **$8.50.**

(Filene's—Fifth Floor)

Summer Sale of Negligees

Just the cool, comfortable garments that are indispensable when summer flits around. We have prepared three different kinds, one in crepe, one in voile, and one in crepe de chine.

$1.50 for $2 Flowered Crepe Kimonos

Sizes are to 44 inches. Hems are cutaway, neck and sleeves are finished with plaited frills.

$1.95 for $2.95 Figured Voile Negligees

They look so cool that one couldn't feel otherwise in them. Deep collar and cuffs of mull and new-fashioned sacque.

$5 for $8.95 Crinkled Crepe de Chine.

Light or dark colors. Loose, wrapper and simple, with fine plaited silk frilling at neck and sleeves.

(Filene's—Third Floor)

Store Hours
8:30 a. m. to 5:30 p. m.
Eastern Time

Wm. Taylor Son & Co.

Buy your new trunk now and save a fourth

Cleveland, Friday, June 13, 1924 STORE NEWS Six Hilltop Woodside Avenues

MILLINERY
Semi-dress and sailor-hats

Many jaunty styles Prices as reasonable as the hats are smart and becoming.

Pork, 36c to $1.98 each.

Raisins and plaids, $1.25 to $1.98 each

White crushable felts $1.98 to $2.98 each White black or white grosgrain bands; one style with patent-leather band and bow

White felt sailor-hats, $3.69 to $6 each. With grosgrain ribbon bands and bows or scarfs of fancy colored materials

Cotton cloth hats, $1.50 to $3.50 each Beige with hemp facings. Sailor shapes among them and some colors as cloves, orange, rose and white

Hemp and tinsel sailor hats, $3.50 to $7.50 each. With bands and bows or bands and small feather fancies to black, white and colors

White taffeta silk stitched hats, $10 each. With hemp facings of red, green, burnt-color or black. Some with flower fancies in navy blue, brown or red

Peanut braid in brown, red or black with white facings
Third floor

SILK GLOVES SPECIAL

A maker's close-out of two qualities of elbow length white silk gloves turned over to you by the leading today

16c a pair 45c quality Double-tipped fingers

65c a pair $1 quality Milanese weave. Very elastic
First floor

HAND-BAGS $1.85

A special lot of leather hand bags will be placed on sale Saturday morning priced $1.85 instead of $2.50

Pin and mail seal and morocco Pocket and envelope styles Top bag with two or more fittings

Colors and black. *First floor*

BASEMENT STORE

Girls' coats $1.98 to qualities Sizes 1 to 14 years Plain navy blue, brown, gray or red, and fine-cord white checks. Cozy fleecy linings in lot

Boys' wash-suits $1 Sizes 2½ to 7 years Plain colors and light and dark stripes

Boys' bloomers, 65c Sizes 5 to 14 years Plain colors in light or dark stripes

Boys' rompers, 19c each, or four for $1. Sizes 2 to 5 years
Basement

Kodak films and plates developed and printed by experts. Prompt delivery

These $2 waists above the average

Many attractive styles and a number of new ones added today

Voiles, batistes and organdy lawns with smart finishes.
Third floor

FOR THE BEACH

A delightful collection of bathing-caps, hats and other beach accessories are displayed in the toilet-goods section. The assortment's very complete now, though it won't be advisable to wait long before selecting what you're going to need

Pure rubber caps, 39c to $1. Variety of colors and shapes, many with combination of colors

Rubberized sateen caps, 25c to 75c. Many colors

Rubberized silk caps, $1 to $2.

Men's dining caps, 50c.

Bathing garters, 25c and 50c

Pure rubber washes in different colors, $1

Bathing-suit bags, 35c, 50c, 75c and $1
First floor

RIBBONS NOW 19c

Odds-and-ends of many styles Qualities up to 35c, underpriced beginning today

Fields fancy stripes, moires, brocades and flowered ribbons, in a good variety of colors and designs

Ribbon suitable for hair-bows, millinery trimmings, girdles and sashes.
First floor

WOMEN'S STOCKINGS
Close-out lots

Three silk black, white and novelty colors—at a pair instead of 75c

Silk lisle black three pairs for $1 instead of the a pair Medium weight, deep garter tops. Significant lisle, tans and white
First floor

WOMEN'S UNION SUITS

50c for 65c quality A new lot placed on sale today

Special purchase of light-weight low neck sleeveless and sleeveless suits

Sizes 34, 36 and 38
Second floor

DRESS-LINEN LESS

Beginning today natural-color linen at 25c a yard instead of 65c in addition to the above sale

It's a good firm quality in a proper weight for dresses, suits, coats and skirts Orderly stock
First floor

WHITE WALRUS CREPE

An addition to the June sale beginning today 50c a yard for a 79c quality

Medium weight and 38 inches wide.
First floor

Men: $20 for a blue serge suit with an extra pair of trousers

The suit's an always dependable addition to a man's wardrobe and the extra pair of trousers makes the ideal outing suit for summer wear

The extra trousers are washable trousers of Palm Beach cloth, white with hairline stripes

Fashionable extreme cuts for young fellows and more staple models for older men.
Arcade downs

See Sport Page for additional news from this section

Keeping up the variety in boys' suits at $8.50 and $10

Size-range filled from $10 and $12 ranks, giving complete assortments and unusual returns for your money

Norfolk suits in colors and cloths for everyday services or dress-up wear

7 to 17-year sizes.
Second floor

Doesn't hot weather make your boys' needs apparent?

Summer essentials for that boy of yours—items grouped for your easy notation.

Wash-suits—specially priced $1.45 to $3.85 each Sizes 2½ to 8 years.

Crash Norfolk suits $6.75 each Sizes 7 to 15 years

Dusters $1.95 to $6 each. Sizes 3 to 10 years.

Boys' and Girls' tennis and play-oxfords

Comfortable shoes for vacation days are ready for the children

Tennis shoes

Black or white canvas with leather insoles

Blacks—sizes 11½ to 2 $1 a pair

Whites—sizes 11½ to 2 and 2½ to 6 $1.25 a pair

Play-oxfords

Sizes calf or smoked horse. Goodyear welt soles; wide toes

$1.15 a pair—sizes 8½ to 11

$2 a pair—sizes 11½ to 2

$2.25 a pair—sizes 2½ to 6
Silver-hallway

FINE WASH-GOODS

Black and white striped voiles are added to the June sale beginning today The prominence of striped voiles this season making the underpinnings of more than ordinary interest.

It's a rare 25c quality Three different styles of stripes—in black-and-white

42-inch a large 19c quality. 27-inch wide
First floor

JULY PATTERNS

Butterick fashions for July are on sale in complete assortments of patterns.

Also The Delineator for July at the a copy
First floor

A sale of Turkish towels begins

Starting today and continuing three days the week-end

Fringed bath-towels of fine close terry. 20 x 40—regular 25c kind at 19c

Extra special—all-white Sheet, regularly 2 a dozen—$3 a dozen or 25c each

Two-loop fancy ends, very special at 39c each

Ship-worked

16c—values up to 20c.

42c—fancy ends, regularly 50c.

75c—fancy borders, regularly $1

90c—hemstitched ends, regularly $1.25
First floor

Vacation time's kodak time

Get the most out of summer days and years

Look up the two new kodaks added to the Eastman family

Kodak Jr. No. 1—single lens $2 with double lens $3

Kodak Jr. No. 1 A—single lens $3; double lens $4

No. 1 takes pictures 2¼ x 2¼.

No. 1 A takes pictures 2¼x4¼.
First floor

Kodak supplies

Films, plates and film-packs—ready to fit any kodak or camera.

Films now in stock, eight, ten and twelve exposures

Plates in sizes from 2¼ x 2¼ to 5 x 7 inches

Films cut in twelve exposures, sizes 1A, 2, 2A, to 3 x 3 inches
First floor

Now for the new linoleum you want

An excursion into special low-cost prices with plenty for everybody and your choice of a big variety of new patterns

Inserted inlaid

Tiling geometry and wood effects

$1.25 a square yard—regularly $1.69

$1.15 a square yard—regularly $1.49

90c a square yard—regularly $1.20

Printed

Best quality hard enamel finish—hundreds and new patterns to large and small designs

58c a square yard—regularly 65c

49c a square yard—regularly 55c
Fourth floor

About new outdoor sleeping cots

Built for solid comfort. Strong 1-inch coil-posts, frames, coil springs and head and foot rests. The price is $6.50

We're also prepared to furnish mattresses to fit any size bed or cot.
Fourth floor

Close-out lots of ready-to-wear garments for women

Remainders of spring merchandise are marked at radical underprices in order to effect a quick disposal—providing very profitable opportunities to women selecting suitable apparel for vacation days

Cloth suits—

$11.75 for $25 suits

$16 and $18.50 for $29.95 suits

$25 for $35 to $50 suits

Crosbak cloth skirts, black and a few navy-blues—$7.85, $8.75 and $10 instead of $12.50 and $15 Some models to headlarge to be large as 34 inches.

Navy-blue mohair suits $5 instead of $7.50—in the tailor-made to heads up to 44 inches

Plain white skirts, Blade for values up to $17.50

Navy-blue and black serge skirts, $6 instead of $10

Coats, $4.95 instead of $19.95 and $25—shadow checks and mixtures

Travelling-coats $19.95 instead of $25 to $35.

Lacey women's coats, $19.50 All-lined at $25—these up to 50

Black crepe coats for large women, $25 instead of $37.50—sizes up to 46.

Similar reductions will be found on garments in misses' sizes.
Second floor

Our hands have been full these last weeks!

Once again our customary business optimism has been justified

In spite of foreboding in some quarters as to the trend of business, we believed that more men and boys than ever would want substantial, stylish clothing at fair prices.

We provided a most liberal stock, liberal even for us; and that means more variety, more ample range of sizes than most clothiers ever saw.

The month just closed, with its predecessors, has fully justified our optimism—our business has shown a very healthy and satisfactory increase.

So we enter June with new enthusiasm, with renewed confidence that in these days of much exaggeration, substantial quality, generous variety, fair prices and "your money back if you want it," are more appreciated than ever.

Everything men and boys wear.

ROGERS PEET COMPANY,

Three Broadway Stores

at	at	at
Warren St.	13th St.	34th St.

Grand Opera, 8:30 and 8:55

WANAMAKER'S | WANAMAKER'S | WANAMAKER'S | WANAMAKER'S | WANAMAKER'S

Grand Organ, 4:55

IF A STORE HAVE DIFFERENT AND BETTER STOCKS ITS GROWTH IS CERTAIN

Weather Today: Fair.

No Skyrocketing Sales

This is just a plain, larger everyday Store, with advantageous opportunities for our customers as they arise daily without any fussing and make-believe, all the marketing being open to our alert buyers.

We do not give orders to take the quality out of the goods to enable us to reduce prices, but consider the nimble sixpence better than the slow shilling, believing in holding up qualities and giving full measure even at smaller profits.

We find ourselves better off by reason of the larger sales.

If all purchasers had a

Knowledgeable Idea

of values, they would soon come to know that the steady day-trade income are regularly selling at the low right prices without any necessity of pumping oxygen into their systems.

[Signed] John Wanamaker.

June 6, 1914

Bulletins from the Women's Fashion Saloons

Scores of new lines and entire suits are in—$9.75 to $35. Nearly styles, many at less, including the new Salamander Russian blouse suits; navy coat suits; navy and black Jumbo tweed suits, and very clever linen or cool silks.

White serge suits at $27.50 to $50 are—made of genuine, especially fine, white serge.

More than dresses at $6 to $25, white and colored, for morning and afternoon.

More flowered silk crepe dresses at $9.75—smaller's exhilarating blue, lavender, taupe and gray.

Also an ample supply of entire crepe dresses, mostly white, at $8.75 to $40, and voiles at $6.75 to $25.

(First Floor, Central)

Samples of Neckwear —Hand Embroidered

Some a year like yesterday's sale—a number of the fine georgette, linen, organdy, satin and silk hand-made neckwear that sold each midsummer, now in a woman's manager's desk.

They are all hand embroidered in the daintiest fashion, and the samples, like those are always, are lowered like to $25.

On special sales in the Neckwear Section.

(Main Floor, Central)

THIS Summer's cotton fabrics for blouses and dresses

More than usually pretty this season and very popular for afternoon and dance frocks as well as blouses. All the prices are low and many are even below their quality.

Silk and cotton poplins, mostly in stripes, for a yard.

Russian cotton crepe, white and a few colors, for a yard.

Flowered cotton crepe, 36 inches wide, for a yard.

Silk mulmul voile, flower designs, 40 inches wide, for a yard.

Printed cotton voile, 36 inches wide, for a yard.

Flowered batiste, 12½c and 15c a yard.

Beautiful striped cotton, 27 inches wide, 12½c a yard.

(Main Floor, Chestnut)

Wonderful Frocks for Little Girls (Special)

Several hundred white dresses for girls of two to six years established a great demand this morning. Both materials and trimmings, selected especially, are remarkable at the low prices—$1 to $5.

Styles are simple and more elaborate—all have the low French waistline with wide beading run with ribbon, and there are new touches such as the fichu, little "flower girdle," a gathered neckline with simple hand shirredness to produce yokes.

At $1 and $1.50 there are several styles to choose from, and always cool air to $3.

(Third Floor, Chestnut)

Madeira Lunch Sets New as June Roses

Thirty-one new sets beautifully hand embroidered as only the Madeiran can do it, matchless effect, every one separately boxed—$6.50 and $8 a set.

Modeled lunch napkins with the extraordinarily hand, all embroidered, four or five patterns, $6.75 a dozen.

Now in the Yearly Towel Sale

Fine bleached hemstitched towels with damask borders but hemstitched ends—second at 50c each.

Imported pure, fine bleached hemstitched huckaback towels at 50c each.

Big, soft, absorbent cotton bath towels, hemstitched, imported, also 50 and 60c.

(Main Floor, Chestnut)

T-Square Club Exhibit

now in view in the gallery on the Fifth Floor, Market.

This is an exhibition of architectural work—mostly work in the course of architectural study, and of competitive prize drawings.

These drawings come from the American Federation of Arts, the American Academy in Rome, the Society of Beaux Arts Architects, and various Universities, and the exhibition is one of great general interest.

Camille, of Paris Sends a New Importation of Mid-Summer Millinery in Black and White

(Now Opened in the First Tea Morning)

Distinctive and Original Models Starting at $15

(Second Floor, Chestnut)

Radical Changes in Silk Sports Coats

Switzerland has made them and Paris has approved them.

We have just entered a shipment and until Fall there cannot be another in Switzerland or anywhere else in America.

Sets about at $20 in of knitted Jacquard-cut silk suits and belts in striped, all over, flannel, in wool knits, lumberjacks, knitted belts, silk waistcoats, ties and hats.

At $25 to $35 are of silk and of materials, are neighbors peculiar attention to the fine quality of the silk and the workmanship.

At $45 to $65 are of all silks and of materials, are of the finest silks and the most exquisite workmanship.

We have just entered a shipment and until Fall there cannot be another in Switzerland or anywhere else in America.

Sets about at $20 in of knitted Jacquard-cut silk suits and belts in striped, all over, flannel, in wool knits, lumberjacks, knitted belts, silk waistcoats, ties and hats.

At $25 to $35 are of silk and of materials, are neighbors peculiar attention to the fine quality of the silk and the workmanship.

At $45 to $65 are of all silks and of materials, are of the finest silks and the most exquisite workmanship.

(Main Floor, Market)

Low-Priced Dress Lengths of Summer Silks

Precisely for some silk that may not be in the 27's dress from the bolt for very little silk. All are from our own good stock, both dependable and seasonal, and all are what sold at a number in the width.

Twenty Styles	Five Styles
Dress Lengths	Various Lengths
Prices are now 49c, the 1c and 59.50 a yard.	

(Main Aisle, Near Chestnut)

FIRST time at $3.85 for these crepe de chine kimonos

We have never been able to name the selling price so low before. Nor have we ever had such a variety of styles in every shade and fashion effect.

Also another shipment of these much-liked cotton crepe kimonos, hemstitched, light or dark, with an elastic band around the waist, $1.

(Upper Aisle)

At $15—Women's and young women's Dalmatian cloth in fourth waistline styles, shirring and insertion trimmed, all of the new and modish

At $20—Women's and young women's coats for dress and semi-dress, a variety of materials, in the new long effects

At $7.50—Crepe coats of serges and whipcords, with detachable collars and vestees.

At $7.50 and $8.75—Women's and young women's fashionable cloths, in flannels cutting to a wide variety of styles

At $7.50 and $10—Misses' and young women's fashionable cloths, in flannels cutting to a wide variety of styles

At $10—Misses' and young women's Dalmatian cloth, in flannels cutting to a wide variety of styles

At $10—Misses' and young women's fashionable cloths

It does not require a very broad knowledge of human nature for one to decide, after reading each one of these advertisements, the general characteristics of the typical person that trades at each one of the stores. Even the institutional characteristics of the cities themselves are reflected in the manner of approach.

City Characteristics as Portrayed in Advertisements

For instance, New England's thrifty and educational character is suggested in the Filene's advertisement in the words, "Saving Money is Pleasant even on Class Day and Commencement Dresses." "630 Euclid Avenue" in William Taylor & Son's advertisement is a subtle reminder of the beautiful street which has made Cleveland famous all over the world.

Where else but in Philadelphia would you expect the importations of Camille of Paris and "Radical Changes in Silk Sports Coats" to be in close juxtaposition with "Low Price Dress Lengths?"

What is more characteristic of the Chicago spirit than the statement in the Marshall Field Company advertisement that the "New Wabash Avenue Salesroom for Women's Street Dresses has been open but one week. Yet during that time thousands of women of Chicago have visited this addition."

Good Examples of Advertisements That Are Natural

The formal, conventional announcement of B. Altman & Company is characteristic of Fifth Avenue, New York. The announcement of Saks & Company and Rogers Peet Company breathe the spirit of the "great white

way." All of these advertisements are institutional in reflecting the spirit of the city in which they are located, the group spirit of the particular classes to which the store appeals, the institutional spirit of the store itself, and its attitude toward that portion of the public which it sells.

These ten tests blend into each other, and the fact that each one of these announcements is in harmony with the policy of the store justifies test No. 2—"Is it natural?"

Specific and Timely

Most advertisements that represent good constructive work fail of their complete mission in being equally valuable for competitors by simply changing the name of the advertiser. Each one of these advertisements on the contrary fulfil test No. 3—"Is it specific?" All of them give description and prices, with the exception of Rogers Peet Company, which, however, places due emphasis on the one thing in the advertisement which could not be said of any other concern, and that is "Three Broadway Stores."

Test No. 4—"Is it timely?"—applies with special force to every one of the announcements. The student of advertising can well afford to study each one carefully in order to determine what great value is placed on timeliness by those conspicuously successful advertisers.

The same is true of test No. 5—"Is it pertinent?" Everybody knows that each one of the houses whose advertisements we have reproduced is in business

to make money, but in every one of its announcements the particular thought that is most prominently brought out is service to the consumer. Particularly noticeable in every announcement is the subtle reference to the sentiments which are the mainspring of action and control the expenditure of money more often than reason or logic.

Written from the Buyer's Point of View

To fairly apply test No. 6—"Is it consistent?"—to each one of these advertisements, it would be necessary to visit the stores and see how the salespeople back up the advertisement, to note how deliveries are made, to test out the spirit of the store in the matter of adjusting complaints, to check up carefully how the merchandise itself makes good on what has been claimed for it.

What Constitutes Consistent Advertising

In every one of these announcements consistency is shown in illustrations, typography, and diction, and there can be little doubt that in institutions so well managed, where every detail is so thoroughly thought out in advance for the best interest of the consumer, the space given to each department bears its consistent relation to the business as a whole.

In applying test No. 7—"Is it persistent?"—we are confronted with the difficulty that no one advertisement can justify this test.

Persistency

However, persistency is suggested in each one of these announcements in the trademark signature or heading which is individual and characteristic of the house.

Persistency unconsciously is impressed on the reader's mind every time he sees an announcement of a house following any that he has read before.

My readers will agree with me, I am sure, that test No. 8—"Is it authoritative?"—and test No. 9—"Is it plausible?"—are fulfilled without question in each one of these announcements.

The same is true of test No. 10—"Is it sincere?" All of these houses have a reputation all over the United States for being sound in their merchandising methods and scrupulously careful in making claims that are absolutely backed up by the merchandise.

Sincerity in Advertising Is Illustrated by Altman

One of the paradoxes in advertising is the fact that the store of B. Altman & Company, at Thirty-fourth Street and Fifth Avenue, New York, bears no sign whatever. Yet everybody knows it is Altman's store.

B. Altman, who is no longer living in the flesh, dominates the policy of this house in the fundamental principles of sound merchandising which he established during a busy and thoroughly useful life.

The advertising of the house of B. Altman & Company will deserve careful study from those who believe as I do, that advertising in its true mission is an expression of the salesmanship which best serves the buyer.

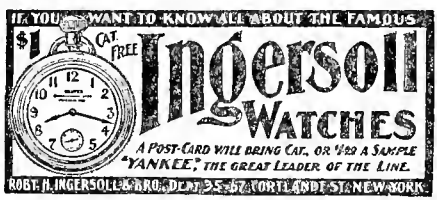
Altman's advertising has been criticised as too dignified and lacking in many of the essentials which are supposed to be characteristic of the most successful advertising copy. Yet for the particular

Altman group it can well be questioned whether there is any other form of announcement better suited to the purchaser.

The Ten Tests Applied to Magazine Advertising

From magazine advertisements I have selected a number for reproduction and comment in the application of the tests, but regret very much that it is utterly impossible to cover the field in anything like the thorough manner that I would wish to do.

I have refrained from reproducing or commenting on any advertisements with which I have had anything to do in the production or handling.



The first Ingersoll watch advertisement, 1893 (Actual size)

How a New Watch Demand Was Created by Ingersoll

Mr. William H. Ingersoll, of Robert Ingersoll & Brothers, has favored me with a copy of the first advertisement which his house put out in 1893; also with a full page in the *Saturday Evening Post* on November 2, 1912, which in his judgment represents the best advertisement that they ever published.

The history of the Ingersoll Watch is particularly interesting because a new field was opened up and thoroughly occupied.

No one who is in position to speak authoritatively claims that the sale of the Ingersoll watches in any way has interfered with those of a higher price.

Many own and use an Ingersoll watch for hunting, fishing, and other purposes where they do not care to risk the loss or misuse of a piece of higher priced mechanism.

In the first advertisement of the Ingersoll watches there was much to be desired. Applying the ten tests to the full page all of them will be found to be justified.

Each one of these ten tests can be applied with satisfaction to the magazine advertisements of the following concerns:

The Secret of Success In Eastman Kodak Advertising

In the Eastman Kodak Company announcement, the broad, universal, constant appeal of the kodak is beautifully expressed, but coupled with it is an immediate sales-impelling suggestion that must produce definite, positive business. Almost everybody is constantly confronted with the necessity of deciding what to give in the way of a wedding present, and this assistance on the part of the Eastman Kodak Company in helping one make up his mind is service indeed.

Keeping the Demand Active for Old Dutch Cleanser

In the Old Dutch Cleanser announcement the sales talk of specialty men calling on the retail trade, house-to-house canvassers, and store demonstrators is all revived by the prominent reproduction of package. At the same time the reference to definite, specific information on the package means the in-

creased use of Old Dutch Cleanser in homes where at the present time it may be bought and used for only one purpose.

The American Telephone and Telegraph Company advertisement is specially good for its obvious purpose.

Advertising to Enhance Confidence

It stands to reason that competition in telephone systems is not service to the ultimate buyer if rates are reasonable and the scope of service is continually increased. As long as the American Telephone and Telegraph Company indicates in its announcements that it desires to give service to the public, the people generally are more likely to feel that it is sincere in that purpose than if it said nothing about it or maintained a dignified silence on the subject.

The general effect of the Swift magazine advertisement is particularly good, though as a rule I am

Focusing Demand on Swift's Premium Ham

afraid of white letters on black background when used other than in a brief heading where the letters are large. Legibility is always sacrificed to some degree at least.

The information in this advertisement is valuable to the housewives, and the specific point is bound to influence the buyer to more particularly specify Swift's Premium Ham than to simply say she wants some good ham.

The Subtle Handling of Hydraulic Press Brick Advertising

The Hydraulic Press Brick advertisement deals with a ticklish subject in a very frank, straightforward manner. The expression of confidence on the part of the Hydraulic Press Brick

The Watch that made the Dollar Famous

Thin Model Gentlemen's *"Eclipse"* $1.50

4 Models *Ingersoll* Watches

Thirty million Americans have bought and timed their lives by the Ingersoll watch. More than half of all the watches now made in this country are Ingersolls,—14,000 every day.

By sheer force of utility the Ingersoll has overcome the incredulity that naturally attaches to low price and has been adopted into every nook and corner of American life.

Side by side with such men as Thomas Edison and Glenn Curtiss, the street urchin, the business man, the clerk, the school-child and the laborer mark time with the Ingersoll. All find it sufficient for practical needs.

People now pride themselves on buying satisfactory watch service at the lowest cost. To wear an Ingersoll has become a badge of thrift and enlightened recognition of today's mechanical attainments.

There is an Ingersoll for every one. The four models shown on this page take care of the needs of men and boys who want small, thin watches. The "Midget" at $2.00 is being adopted by our nation of women and is the most satisfactory of all watches for girls and little boys.

Ingersoll watches are sold in every town and hamlet by over 60,000 dealers. Booklet free.

Robt. H. Ingersoll & Bro., 21 Ashland Bldg., New York

Small Thin Model *"Junior"* $2.00

The "Midget"—the watch for a woman's handbag and a child's pocket

OF all the gifts that fit the wedding day,—none so timely as the one that provides the means for telling the picture story of that day,—

A Kodak

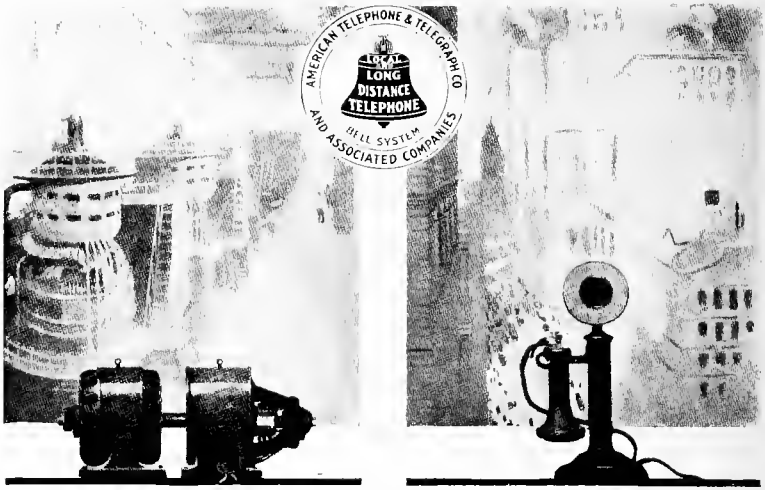
If it isn't an Eastman, it isn't a Kodak.

EASTMAN KODAK COMPANY,

Catalogue free at your dealer's, or by mail.

ROCHESTER, N. Y., *The Kodak City.*

Old Dutch Cleanser
Chases Dirt
Directions and Suggestions for Easy House Cleaning
SCOURS
Old Dutch Cleanser
AVOID CAUSTIC
U.S.A.



The Energizer of Business

IN a metropolitan power-house there must be generators large enough to furnish millions of lights and provide electrical current for thousands of cars and factories

Each monster machine with the power of tens of thousands of horses is energized by an unobtrusive little dynamo, which is technically known as an "exciter."

This exciter by its electric impulse through all the coils of the generator brings the whole mechanism into life and activity.

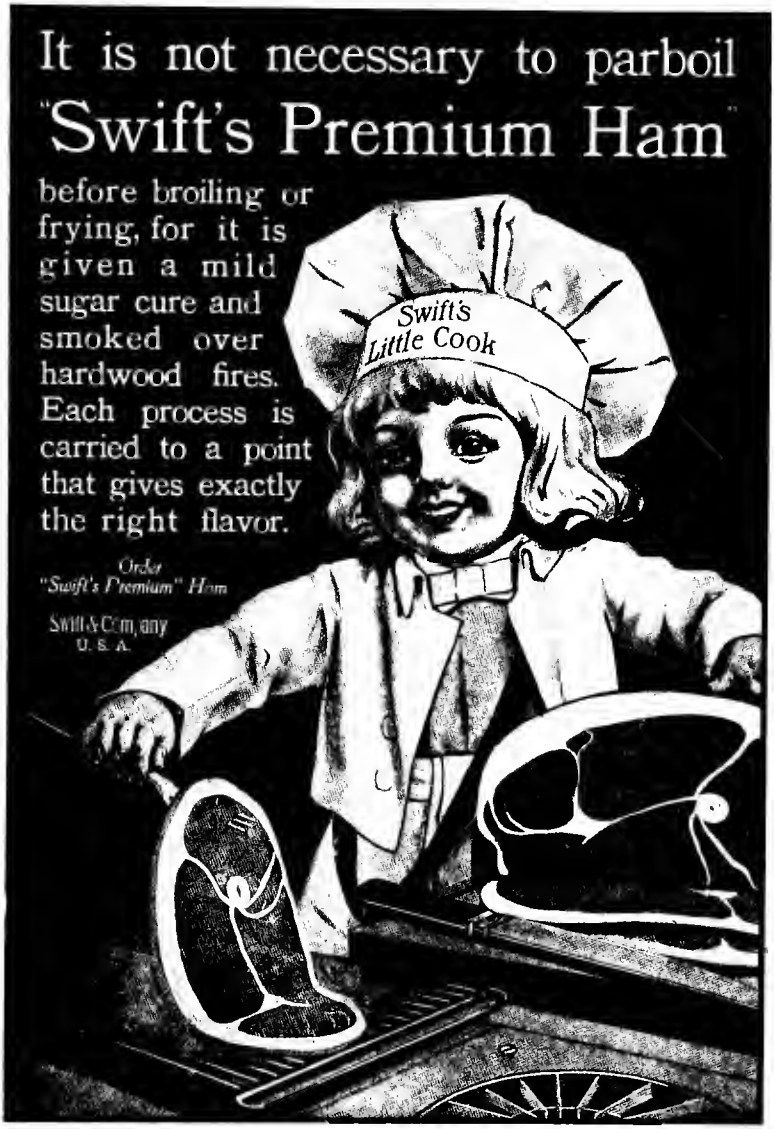
A similar service is performed for the great agencies of business and industry by the telephones of the Bell System. They carry the currents of communication everywhere to energize our intricate social and business mechanism.

United for universal service, Bell Telephones give maximum efficiency to the big generators of production and commerce.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

AND ASSOCIATED COMPANIES

One Policy *One System* *Universal Service*


It is not necessary to parboil
"Swift's Premium Ham"
before broiling or frying, for it is given a mild sugar cure and smoked over hardwood fires. Each process is carried to a point that gives exactly the right flavor.
Swift's Little Cook
Order "Swift's Premium" Ham
Swift & Company U. S. A.

See your architect now

That step insures your greatest satisfaction in the home you build this Spring. Ask him about

Hy-tex Brick

the facing-material which gives the utmost of beauty, permanence, fire-safety and comfort in all extremes of weather. And gives them to you at the greatest economy in the long run.

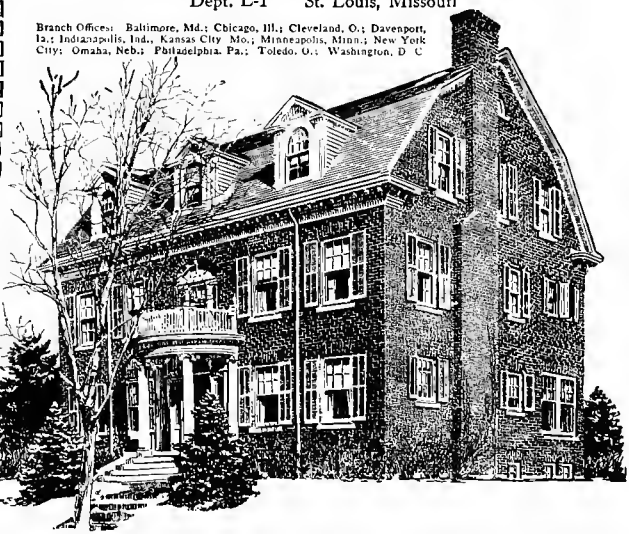
The booklets mentioned below tell you of the superiority of Hy-tex and its adaptability to all styles and sizes of homes.

"Genuine Economy in Home Building"—a handsome, 64-page book illustrated in colors explains these savings in detail. Sent for ten cents.

"Suggestions for Smoll Hy-tex Homes" is a booklet of helpful plans for homes of moderate cost. Sent for four cents. Write for these booklets today

HYDRAULIC-PRESS BRICK COMPANY
Dept. L-1 St. Louis, Missouri

Branch Offices: Baltimore, Md.; Chicago, Ill.; Cleveland, O.; Davenport, Ia.; Indianapolis, Ind., Kansas City Mo.; Minneapolis, Minn.; New York City; Omaha, Neb.; Philadelphia, Pa.; Toledo, O.; Washington, D. C.



Unexpected!

"Why, John, you said it was an *old* house!"

"And so it is. But the painter has been at work. That's the difference."

A house is only as old as it looks. A house painted in colors tastefully selected and with paint mixed of

Dutch Boy White Lead

and Dutch Boy linseed oil looks new, and long retains that look of freshness. Such paint wears long and smoothly, without cracking and scaling. Consult your painter as John did his. Make your house new. No other improvement so satisfactory can be made for the same money.

Write for our Paint Adviser No. 153—a group of helps, Free

NATIONAL LEAD COMPANY

New York Boston Cincinnati Cleveland
Buffalo Chicago San Francisco St. Louis
(John T. Lewis & Bros. Co., Philadelphia) (National Lead & Oil Co., Pittsburgh)

10% More for Your Money

Quaker Oats is now put up also in a 25-cent size, nearly three times as large as the 10-cent size. By saving in packing it offers you 10 per cent more for your money. See how long it lasts.

That Quaker Oats Aroma

The very aroma of Quaker Oats tells its exquisite flavor. You know before you taste it that there's choiceness in this dish.

Only the big grains yield that aroma. And, without the Quaker process, it could never be kept intact.

That's why Quaker Oats is distinctive.

We get that flavor and we preserve it. We discard all the grains which lack it, so the flavor is never diluted.

If you enjoy it, you can always get it by simply saying "Quaker." And without any extra price.

Quaker Oats

Rolled from the Largest Grains

We get but ten pounds of Quaker Oats from a bushel, because of this selection. But those are the luscious flakes. The others are good enough for horses, but not for boys and girls.

We started to do that 25 years ago, and the famed thistle flavor spread. Now a hundred nations send here to get Quaker Oats. And millions of children in every clime enjoy it every morning.

Quaker Oats, as an energy food, excels anything else you know. It abounds in the elements needed for brains and nerves. It is known as "the food of foods."

But, without that taste which makes it inviting, few children would eat half enough.

That's why we supply that flavor, and why you ought to get it. And to get it is always easy. Quaker is sold in half a million stores.

Serve Quaker Oats in large dishes. Small servings are not sufficient to show its vim-producing power.

10c and 25c per Package

Except in far West and South

The large 25-cent package gives ten per cent more for the money

The Quaker Oats Company

"No More Darning for You, Mother—

This Holeproof Six Months' Guarantee Settles That"

MADAM, why does your family wear stockings and socks that need darning every week? Here is hosiery that doesn't need darning—socks and stockings for *men, women, children and infants.*

Six pairs of Holeproof will wear *half a year* without holes or tears. That is guaranteed. If any of the six pairs *fail* in that time we will replace them with *new* hose free. Tell your family about them. They don't *want* you to darn for them. And none of them likes the *discomfort* of darned hose.

For 14 Years

For 14 years *hundreds of thousands* of people have worn no other hosiery than Holeproof.

More than 1,000,000 people ask for Holeproof *today* in thousands of stores in the United States.

Europe is sending for thousands of boxes. And we are operating a factory *in Canada.*

Pure Worth

We go to extremes to get the finest materials. We use the world's *highest-priced* cotton yarns. We could buy yarns in this country for less than *half* what we pay.

But we use yarn of an *extra-long fibre* which means pliability, light weight, softness and strength.

No other yarn permits better *style.* And we produce Holeproofs in all the smartest shades.

Sold Everywhere

The genuine Holeproofs are sold in your town. We'll send the dealer's name on request, or ship direct when there is no dealer near. Charges prepaid on receipt of remittance. We make Holeproofs for men and women in cotton or silk.

We have the finest weights for winter. You will never have one more darning to do once your people learn the reason for Holeproof's universal popularity. Write for the free book that tells all about Holeproof. Let all *the family* see how they are made.

HOLEPROOF HOSIERY COMPANY, Milwaukee, Wisconsin

Holeproof Hosiery Co. of Canada, Ltd., London, Can.
Holeproof Hosiery Co., 110 Bunhill Row, Liverpool, England

Holeproof Hosiery

FOR MEN, WOMEN AND CHILDREN

$1.50 per box and up for six pairs of men's. $2.00 per box and up for six pairs of women's and children's. $1.00 per box for four pairs of infants'. Money back guaranteed for six months.

$2.00 per box for three pairs of men's silk Holeproof socks. $3.00 per box for three pairs of women's silk Holeproof stockings. Boxes of silk guaranteed three months.

Holeproof Silk Gloves FOR WOMEN

For long wear, fit and style, these are the finest silk gloves produced. Made in all lengths, sizes and colors.

Write for the illustrated book that tells all about them and write for the name of the dealer near you who sells them.

(525)

IT is the little personal touches about a home that count. The artistic hanging of a drapery, the harmonious grouping of furniture, the sunny freshness of a newly washed curtain, the glowing cleanness of ornaments and bric-a-brac—such things as these help make home homelike and show not merely industry on the part of the housekeeper but a knack of properly caring for fine things.

Reduced to its simplest form, this knack of keeping silver, china, linens, laces, upholstery, etc., at their best is nothing more than a knowledge of the possibilities of Ivory Soap.

Of course, special hints, sometimes are helpful such as the directions below for rehanging a lace door panel. But the one thing necessary is to realize how many things ordinarily never attempted with soap may be accomplished to entire satisfaction with the mild, pure Ivory.

Booklet of Unusual Ivory Soap Recipes Free

To suggest some of these unusual uses we have compiled a booklet of about 100 recipes received from various sources. These recipes will be found exceedingly interesting and exceptionally helpful. You may have a copy by asking for "Unusual Uses of Ivory Soap." Address The Procter & Gamble Co., Department 16, Cincinnati, Ohio.

To Wash a Lace Door Panel—First, wash the glass in the door. Then wash the lace in the usual way in a good suds of Ivory Soap and lukewarm water. Rinse well; then starch. Slip in rods while panel is wet, place in position on door, pull lace straight and let dry. This prevents shrinking and makes the panel look like new.

IVORY SOAP . . . .

. . . . 99 44/100% PURE

Spring for Men

Styles

You are going to see some interesting things in our clothes for spring

FOR $25 and upward, you can buy clothes made from imported fabrics which formerly cost you considerably more. We are combining better fabrics with our fine tailoring at no increase in price.

The finest imported weaves which have heretofore been used for the costliest custom tailoring are available to us under the new tariff law. Stripes, plaids, black and whites, and gray and whites are some of the principal effects. Decorations are mostly in silk.

Style features of the new season are simple, yet striking. In young men's clothes, they follow the shape of the figure; no padding; wider lapels and collars; shorter coats, smaller sleeves, narrow shoulders, softer draping. Men's styles, while more conservative, tend in the same direction.

In our Style Book for spring, you will see all the new styles portrayed in a series of artistic and interesting pictures; you can ascertain where, in your city or town, our clothes may be seen and bought.

The Style Book will be ready about March 1st. The illustration above, a drawing by Howard Pyle, will be shown in colors on the cover of the book. If you desire a copy, write your name

Hart Schaffner & Marx

Good Clothes Makers

Chicago — New York

31, Lord Street
Huddersfield, England

Foreign Offices

4-5, Brewer Street, Golden Square W.
London, England

Don't Buy a Heating System Till You Read This Book!

Hot Water, Steam, Warm Air

You will be amazed at the high quality heating plants we supply for the rock bottom prices we ask. Our new free book will convince you that it pays to deal direct with us, that it means greatest value, greatest satisfaction, and strongest guarantee of perfect service. You take no risk whatever. Should your heating plant fail in any way to give perfect satisfaction any time within two years from the date of purchase we agree to return the money paid us and transportation charges both ways. There is

No Stronger Guarantee Than Ours

We have put the **quality** into our heating plants to **back up** our two-year guarantee.

Mail Coupon Now

Get our book if only as a guide to the right quality and the right price. Please mail coupon, checking the system of heating that interests you most. Address

SEARS, ROEBUCK AND CO.,
Chicago

Sears, Roebuck and Co., Chicago.

Please mail me your Heating Plant Book No. 72F6 I have checked the system that interests me most. It is understood that this places me under no obligation to you.

☐ Hot Water ☐ Steam ☐ Warm Air

Name _____

Address _____

City _____ *State* _____

The Baby Book

THE new Baby Book is ready. It contains merchandise of a quality that makes it easy for us to guarantee absolute satisfaction in every way. It quotes prices that make the services of this store *doubly* attractive to our customers.

If you have received copies of our previous Baby Books you will need no urging to write for this new edition.

If you have never before received "The Baby Book," you will be pleasantly surprised with the Spring and Summer edition which we want to send you free and postpaid.

Please ask for Baby Book No. 66W86.
(Mailed in a plain envelope.)

Eliza Cameron Hoff
Baby Merchandise Dept.

Sears, Roebuck and Co.
Chicago

"NATIONAL" Money-Saving Fall Style Book FREE to Our Folks

This is important—send today for the "NATIONAL" Style Book—don't put it off. It offers many bargains like these:

Waists $ 63 to $7 98
Silk Dresses 5 75 to 23 75
Ready-Made Suits 7 95 to 25 00
Hats 95 " 7 98
Ladies' Coats 4 75 to 28.00
Ladies' Shoes .78 to 4.98

Silk Dresses for Misses and Small Women $4 98 to $12 98
Coats for Misses and Small Women - - 4 98 " 15.98
Suits for Misses and Small Women - - 9 95 " 17 60
Boys' and Young Men's Clothing - - 49 " 12.98
Children's Dresses - - - - - 39 " 5.98
Children's Coats - - - - - 1.39 " 5.98

Also a full line of Underwear, Hosiery, Scarfs, Veils, Gloves, Leather Goods, Jewelry and a complete line of Boys', Misses' and Children's Wearing Apparel.

"NATIONAL" Tailored Suits

Made to Measure $10.95 to $35 *Samples of Materials Sent FREE*

"NATIONAL" Tailor-Made Suits are shown in a separate Suit Booklet containing fashion plates of all the new styles. This Suit Booklet is not a part of the regular "NATIONAL" Style Book. So please note carefully: *The Special Suit Booklet is sent gratis, but only when asked for.*

The "NATIONAL" Policy

We prepay postage and expressage on all our goods to any part of the United States.

Every "NATIONAL" garment has the "NATIONAL" Guarantee Tag attached. This tag says that you may return any garment not satisfactory to you and we will refund your money and pay express charges both ways.

National Cloak & Suit Co.
296 W. 24th St., New York City

MAIL THIS COUPON NOW!

NATIONAL CLOAK & SUIT CO., 296 W. 24th St., New York City

Please send me, free, my copy of the "NATIONAL" Fall Style Book.

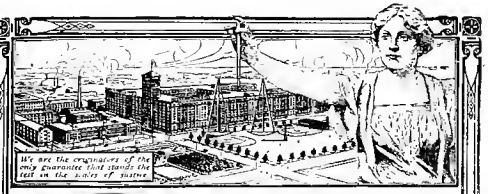
Name.....

Address.....

Are you interested in seeing the new Tailor Made Suits for Fall? And do you wish us also to send you together with your "NATIONAL" Money Saving Style Book, the Special Booklet of "NATIONAL" Made to Measure Tailored Suits?.....

At the same time we will send you samples of beautiful new Fall Materials for Tailor Made Suits if you state here colors you prefer.

Colors.....



ECONOMY Gasoline Engines

Our low prices are the result of modern methods of manufacture, enormous output and direct from factory selling. Our guarantee, "Your money back at any time if you are not perfectly satisfied," and our reputation for fair and square dealing make you sure of the quality of Economy Engines.

The following prices enable you to buy a large and a small Economy engine for less than the price of one *ordinary* engine.

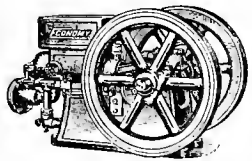
1½-H. P., $29.95; 2-H.P., $39.95; 4-H.P., $72.95; 6-H.P., $102.95; 8-H. P., $149.65; 10-H. P., $219.50.

Turn to the gasoline engine pages of our new big General Catalog, see our complete line of sizes for every purpose. If you haven't our new big General Catalog, just write "Gasoline Engines" on a postal card and also request our free Catalog No. 73F71

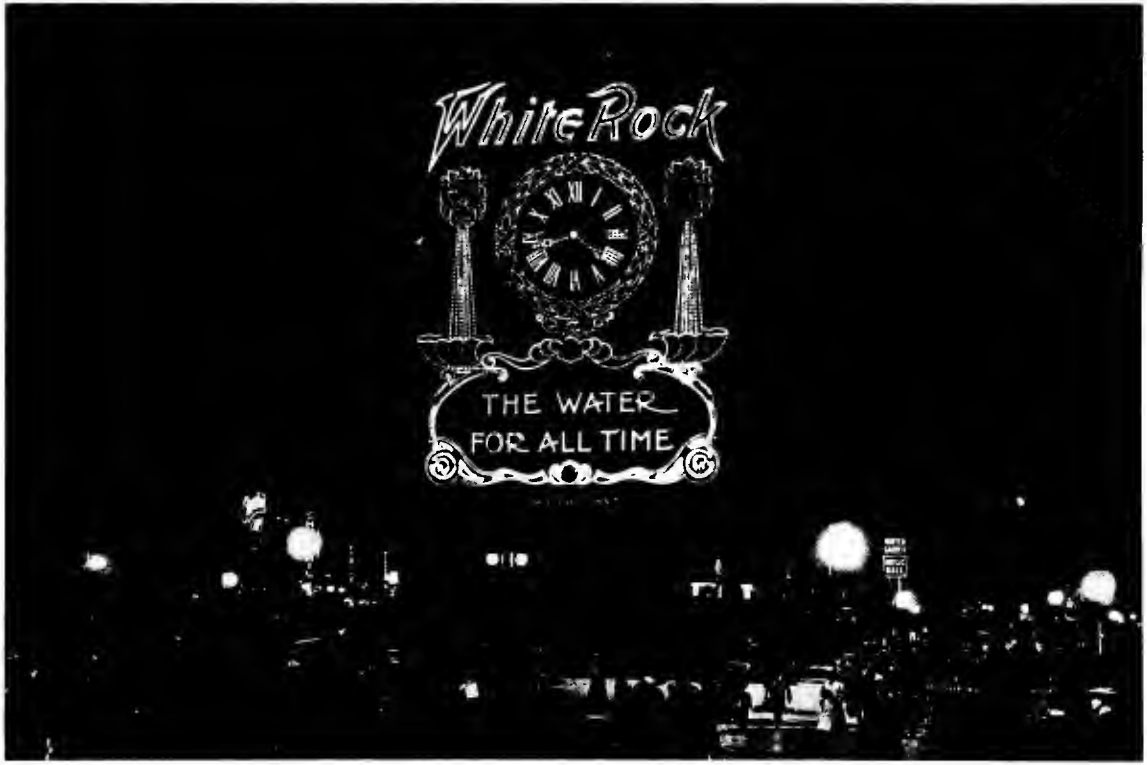
EVERY Economy Gasoline Engine is required to pull more than its rated horse power before it leaves our factory. Every part of the Economy fits perfectly, which means less friction, less wear and greater economy of fuel. Duplicate parts are absolutely interchangeable.

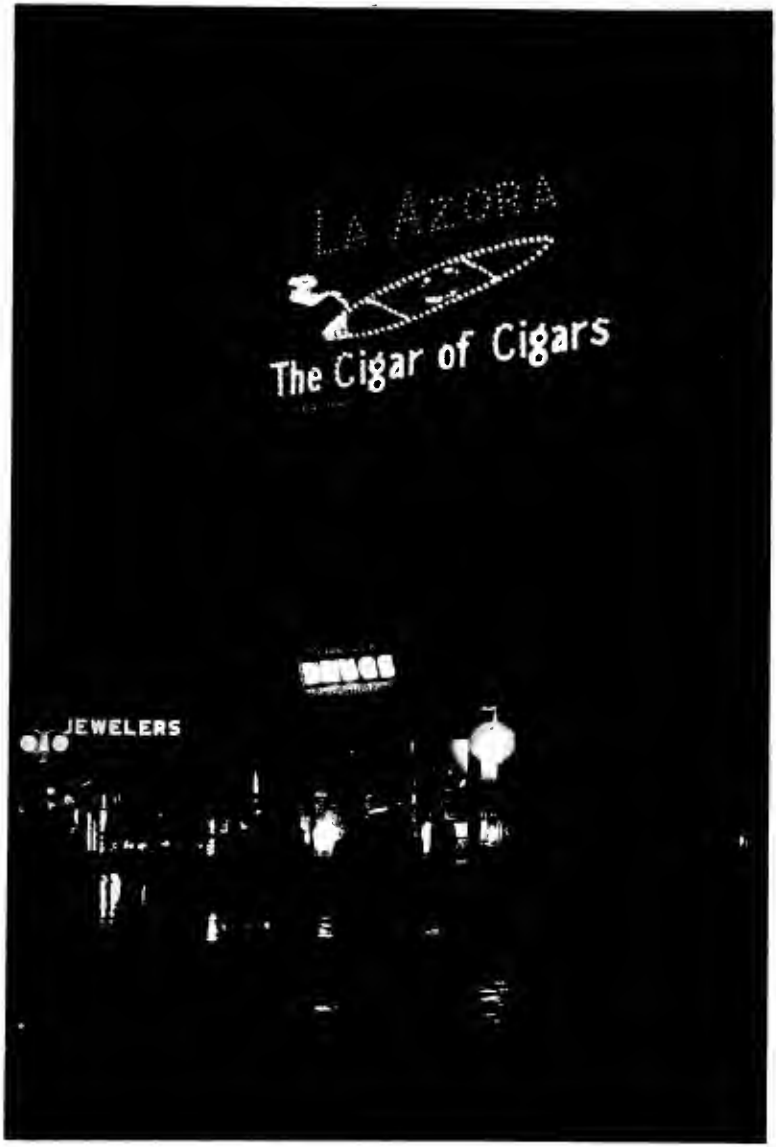
The Economy is the simplest engine on the market. It has fewer parts, is easier to operate and is guaranteed to give as good service for as many years as any other make, regardless of price.

If you need a gasoline engine, you will purchase an Economy if you investigate thoroughly, because you cannot find its equal at anywhere near the price we ask.



Sears, Roebuck and Co., Chicago


WhiteRock
THE WATER
FOR ALL TIME


LA AZORA
The Cigar of Cigars
JEWELERS

Are You Loafing On Yourself?

PERHAPS you are ***"loafing on yourself"*** without realizing it. The man who ***"dreams"*** about a higher position is a ***"self-loafer."***

It is an absolute fact that the most difficult problem of the greatest employers in the world is to secure men for ***big*** positions.

Marshall Field, one of the greatest merchants in the world, publicly claimed that his greatest difficulty was to secure trained men capable of filling positions paying $25,000 a year.

It is all the matter of training, not dreaming

We can give you proved records of thousands of men who have climbed from the dreamer's class to the director's class through the training of the International Correspondence Schools. ***We will show you how to do it.***

Whether you live in the flood-wrecked city of Nome, Alaska—in a sun-baked adobe cabin of Arizona—or in the great commercial centers, the I. C. S. will show you how to improve your position and ***increase your salary.***

All we ask you to do is to sign and mail the I. C. S. coupon as directed. This places you under no obligation. It simply brings to you FREE information how to secure the training that has made the success of thousands of men who thought they were "down and out."

Mark and mail the coupon today

INTERNATIONAL CORRESPONDENCE SCHOOLS
Box 841 SCRANTON, PA.
Explain, without any obligation on my part, how I can qualify for the position before which I mark X

Salesmanship	**Civil Service**
Electrical Engineer	Railway Mail Clerk
Elec. Lighting Supt.	Bookkeeping
Electric Car Running	Stenography & Typewriting
Electric Wireman	Window Trimming
Telephone Expert	Show Card Writing
Architect	Lettering & Sign Painting
Building Contractor	Advertising
Architectural Draftsman	Commercial Illustrating
Structural Engineer	Industrial Designing
Concrete Construction	Commercial Law
Mechan. Engineer	Automobile Running
Mechanical Draftsman	Teacher
Refrigeration Engineer	English Branches
Civil Engineer	Good English for Every One
Surveyor	Agriculture
Mine Superintendent	Poultry Farming
Metal Mining	Plumbing & Steam Fitting
Locomotive Fireman & Eng.	Sheet Metal Worker
Stationary Engineer	Navigation / Spanish
Textile Manufacturing	Languages / French
Gas Engines	Chemist / German

Name _____

Present Employer _____

Street and No. _____

City _____ State _____

Company in putting it up to the architect is bound to impress the architect favorably. The service idea in offering genuine information in the booklets is a very subtle and commendable appeal to the good-will of the house builders.

Appeal to the Sentiment by National Lead Company

In the National Lead advertisement a most effective appeal to sentiment has been made. The National Lead Company is fortunate in having a deep-seated prejudice in the minds of painters generally throughout the country in favor of lead and oil as against mixed paints. To maintain this sentiment and create an impression of being willing to give valuable advice when requested is good business judgment, and the results are unquestionably shown in the sales of the National Lead Company

Quaker Oats Advertisement Is Well Rounded

The Quaker Oats advertisement deserves special commendation. The economy of the 25-cent size is prominently brought out, but there is no sacrifice to the appetizing suggestion of good oats well cooked. In the fine type in the small paragraphs strong points that have been prominently displayed in previous advertisements are reiterated, and the cumulative effect, which is one of the most valuable assets of all advertising campaigns, is given additional impetus thereby.

The Holeproof Hosiery announcement is unusually effective in the use of the illustration. The fact that holeproof hosiery is made for men and women, with

especial emphasis on women, is brought out with two female figures in connection with that of one figure of the man.

The Ivory Soap advertisement is interesting in having so much space given to the illustration.

How Ivory Soap Creates Quality Impression by Fine Illustration

The problem of marketing a 5-cent soap is to continually create the atmosphere of quality to counteract the impression created by low price. The Procter & Gamble Company has undoubtedly shown great wisdom in the care given to illustrations. In this particular advertisement illustration and text are both strengthened by being used together rather than by giving all the space to one feature alone. The title of the booklet itself suggests greater service to people who are already using Ivory Soap, but might not be conscious that they could use it for other purposes than that for which they bought it.

New Style of Art Work in Hart, Schaffner & Marx Advertising

The Hart, Schaffner & Marx advertisement is an interesting departure from the style which was original with this house, and has been maintained many years in showing ideal figures of young men in natural positions with clothes that showed wrinkles and creases as they would appear when worn by a well-behaved human being.

The mail-order idea of giving more information to people who specially ask for it is the keynote of this particular advertisement. The effect of a fine style-book sent out to all who ask for it is far reaching.

Inquiries coming from high-class prospects handed to the traveling salesmen, and properly used by them in talking to local dealers, are bound to largely increase the dealers' own efforts to make use of the advertising helps which Hart, Schaffner & Marx sell their agents. I use the word "sell" because this house sensibly takes the ground that advertising material which is given away free is valued accordingly. A fair price to partially cover the cost of production is the best assurance that the dealer will make the most effective use of it.

The Mail-order Idea in General Publicity Advertising

In the mail-order line, I have reproduced three Sears, Roebuck & Company announcements (which indicate the wide scope covered by this most successful mail-order institution) and one of the advertisements of the National Cloak & Suit Company.

Comments on Mail-order Advertisements

The latter makes the most of the word "National" and also of its New York City location, which with a large group of buyers stands for that intangible something called style.

The Sears-Roebuck announcements are characteristic in the fact that the successful mail-order house seeks more than anything else to get the catalogue, which is the real salesman, into the hands of the people who have been induced to express a desire to possess it.

I have reproduced only one outdoor advertisement, and that is the White Rock electric sign, which

Mr. O. J. Gude told me was the best thing that had ever been done in that line.

Applying the Ten Tests to Outdoor Advertising

While it may seem hard to apply the ten tests to an electric sign, a bulletin, or a poster, I recommend making the attempt for reasons previously given.

Taking this electric sign, the White Rock for instance, the first test—"Is it institutional?"—is justified by the fact that this advertisement was placed on Long Acre Square, the night centre of New York City, the place to which come the largest number of free spenders from all over the United States.

How the White Rock Electric Sign Measures Up to the Ten Tests

White Rock as a trademark has been associated with sales talks and educational advertising all over the United States. Its reproduction here reiterates, reaffirms, and reinforces all that has been said about it. The night life of New York City is an institution in itself, and the White Rock sign, with its brilliant light, is in full harmony with this institutional spirit.

The advertisement is natural (test No. 2). The big words "White Rock" and the suggestion of moving water are double embodiments of this idea.

This electric sign is specific (test No. 3) because the White Rock trademark in its peculiar, distinctive form is accuratcly reproduced.

It is certainly timely (test No. 4), for when two hundred thousand or more people are out on the

street in a money-spending mental attitude, it is a good time to remind them that White Rock is a good thing to spend money on.

It is pertinent (test No. 5), because White Rock appeals to the men who imbibe spirits in suggesting a high-ball, and also to the people who want to drink something else that does not seem cheap or puritanical.

It is a consistent (test No. 6) announcement, in every way reflecting the spirit of the water itself, and the consuming group to which it belongs.

The suggestion of persistency (test No 7), of authority (test No. 8), of plausibility (test No. 9), and sincerity (test No. 10) are all contained in largeness, dominance, and location of the sign taken as a whole.

The sincerity of an institution that would spend so much money to tell the story in the way that it is done in this electric sign cannot be open to question. The story is certainly plausibly told, because the association of the phrase with the clock makes the broadness of the suggestion of "all time" more acceptable than if the clock itself were not displayed.

Authority is suggested in the bold, aggressive manner in which the sign itself stands out as against all other placards claiming attention, and persistency is suggested in the accurate reproduction of the trademark itself.

There can be no question that the orderly and sys-

tematic application of these ten tests to any piece of printed matter, or any announcement of any kind, displayed in newspapers, magazines, or outdoors, would result in more care being given to the work, and more thought along the line of serving the final buyer, and hence, bound to benefit the advertiser's business as a whole.

The Ten Tests Apply to Almost Every Kind of Advertising

CHAPTER X

ADVERTISING AND SELLING THROUGH THE ORDINARY CHANNELS OF TRADE

BROADLY speaking, there are five recognized routes by which merchandise travels from the man who makes it to the consumer.

Perhaps the most important are: *from manufacturer to wholesaler or jobber, from the wholesaler to the retailer, and from him to the consumer.*

The place of the retailer in the distributive chain is universally conceded. Mail-order successes prove that many kinds of goods can be marketed by mail; but the retailer will always handle the bulk of the supply of the American family.

The Retailer— the Biggest Link in the Merchandising Chain

His stock is complete, if he be progressive and easy of access. Merchandise can be seen before it is purchased. Very often the credit which the retailer can extend is a real service, which brings him a goodly share of the business of his trade territory.

The position of the wholesaler may not be so clearly defined. At first glance it might seem that the toll he exacts would better be taken from the sell-

ing price and his service dispensed with. It would not pay, generally. He has a function, and is indispensable in most cases. He keeps a finger on the pulse of local conditions. The manufacturer can afford to sell him at less than the price to the retailer, for the service he renders could not be duplicated by the manufacturer for the differential he allows the jobber.

The Functions of the Wholesaler

The wholesaler buys in much larger quantities than the ordinary retailer does. He relieves the manufacturer of all work and detail in connection with credits and selling small orders and collecting small accounts. He pays for what he buys and assumes entire responsibility for his own sales. He is particularly indispensable to the manufacturer of an article of comparatively small consumption. The volume of sales to each retailer is so small that it would be foolish for the manufacturer to do business with individual retailers, either direct or through salesmen.

The wholesaler is of great value to the retailer who is doing business on a small amount of capital. His stock is large. Retailers in his territory can draw upon it and get the goods at once; so that it is not necessary that they cumber their small space with large quantities of each of the lines they handle. He is safe in granting credit, because he is on the ground and knows the retailer's financial status.

The Wholesaler as an Aid to the Retailer

Some manufacturers selling privately branded

goods in staple lines of steady consumption give the exclusive sale of same to one jobber in a territory.

The Exclusive Jobber Plan

This gets more coöperation from the jobber, for if he has the right kind of a contract, he is building for himself as well as for the manufacturer. The exclusive jobber plan has been successful, especially when supported by general advertising. Specialties of small consumption have never been marketed advantageously through exclusive jobbers; this method is feasible only when it is possible to divert an established demand to an advertised, trademarked brand. It will not create a market for a novelty. It would not do for an unbranded article.

Most manufacturers sell to all reputable jobbers. They cannot expect them to put any special effort into selling their goods, because the jobber specializes on distributing, and is not equipped for creative selling. It is, therefore, the business of the manufacturer to create his own market—by advertising to the consumer, by interesting the dealer with specialty work, and by trade journal publicity.

The Advertiser Must Create His Markct—the Jobber Is a Distributor

Some manufacturers will put up goods under jobbers' private brands. But it militates against the manufacturer who wants to sell his own brands, and the one who sells bulk goods. It is, nevertheless, legitimate competition.

Many manufacturers sell direct to the retailer. It is hardly amiss to include in this classification the

manufacturers who maintain an extensive selling force to solicit the dealer direct. The orders which the specialty salesmen get are filled through the wholesaler, who takes over the accounts. He can fill the orders more promptly, he is better equipped for looking after repeats, and he assumes the retailers' accounts. These functions make his service worth while to the consumer, retailer, and manufacturer.

Selling the Retailer Direct

Almost all manufacturers of national products employing the wholesaler do some specialty work on retailers at their own expense.

The manufacturer who sells through an exclusive dealer eliminates the wholesaler.

Selling direct to *all dealers* can scarcely be said to lower the price to the consumer, or lower his own selling cost, or even to increase the retailers' profit. The manufacturer must take care of more detail in his office, must increase his traveling sales expenses in most cases, and must assume responsibility for retailers' accounts, which means more bad debts.

He may sell to retailers direct or through salesmen, and pocket the wholesaler's commission; but if he is after volume and big business, I doubt if he would save money by doing without a wholesaler.

Reasons for Selling Direct

The advantage of direct selling is that it gives the manufacturer a more intimate knowledge of selling conditions, a closer grip on his own business. It gives him the master's share, and the power to extend substantial coöperation, if

his product is good and his organization able to justify the sales expense by keeping up the steady sales incident to such expenditure.

Some manufacturers sell to both retailers and wholesalers. But if they sell a retailer in the logical trade territory of a wholesaler to whom they have also sold, there will surely be friction. To sell the retailer at less than the wholesaler's regular price to him is not in accordance with the ethics of the trade.

Large retail stores that go direct to a manufacturer and demand wholesale prices are another problem, if the latter is committed to the general policy of selling to wholesalers.

The third channel is through a third middleman, the *manufacturer's agent*, *broker*, *importer*, or *exporter*, as the case may be. He buys from the manufacturer and sells to the wholesaler, who sells to the retailer, and the retailer sells to the consumer.

The Third Middleman —Agent, Broker, Importer, or Exporter

The functions of the importer and exporter are fundamental. He gets goods from foreign countries and ships domestic products to markets where they can be sold. Only the largest and most complete wholesale or retail establishments are able, in their own organization, to take care of the particular service of the specialist importer or exporter. He sells to the wholesaler. He is seldom equipped for going direct to the retailer or the consumer. His margin of profit is small; volume is vital to his existence. Small sales do not interest him.

"Merchandise broker," and "manufacturer's agent," are practically synonymous terms. The merchandise broker differs from the importer or exporter mainly in that his work is intra-national instead of inter-national. He is the manufacturer's exclusive representative for a certain field. In this field he represents from two or three to fifty different non-conflicting producers. His margin of profit is smaller than that accorded the wholesaler; he is after volume. He makes it possible for the manufacturer more nearly to approximate a unit system of distribution.

Broker and Agent Practically the Same

The manufacturer's broker carries on most of the negotiations with wholesalers. All difficulties are referred to him for adjustment. He may have much to do with framing the general policy for his territory. He comes nearer than any other member of the distributive family (save the representative on salary from headquarters) to representing the manufacturer direct.

The broker seldom goes straight to the retailer. His commission will not permit it. He must go to the wholesaler, where each order means big business. If he does any work at all on retailers, it is for the purpose of influencing demand upon the wholesaler. Progressive firms which employ a broker and want to get the maximum volume of sales allow him to engage a specified number of specialty men; or they send specialty men to work for a time under the direction of the broker.

The Broker Sells the Wholesaler

These men call on retailers and stimulate demand upon the wholesalers by whatever arguments of merit, advertising, profit, or special coöperation seem best.

House-to-house canvassing of consumers, sampling, and store demonstration are means by which the manufacturer coöperates with the broker. The size of the manufacturer's organization, the amount of capital he has, and the universality of the appeal of his product must determine whether or not he will use brokers and the amount of coöperation he shall give them.

Selling the Consumer Direct

The fourth route is from the *manufacturer to the consumer*, with no intermediaries save the manufacturer's own representatives on salary or commission. This classification includes (1) the mail-order house, and (1a) the manufacturer selling by mail, and (2) the manufacturer operating his own retail stores or selling direct through agents or salesmen.

Mail-order houses are of two sorts. The primary purpose of one is to sell goods of its own manufacture, the business of the other is to sell goods by mail.

In the first class is the manufacturing house specializing upon a few articles; in the second, firms that maintain extensive manufacturing establishments, and also buy from other manufacturers materials to complete their very extensive lines.

There is the manufacturer, either of specialties or of articles of such a nature that it seems best to reach the consumer through a direct representative, who

receives from the manufacturer either a salary or a commission. The automobile maker who maintains agents or branches in different cities for the purpose of selling his output direct to users is an example. But if he allows his cars to be sold by an independent local sales company, he must be accounted as using the second trade channel—manufacturer to retailer.

The sale of advertised specialties has developed a type of manufacturer's representative who is not at all like the ordinary merchandise broker, who goes to the wholesaler with a sample, quotes him a price, and wires his principal the wholesaler's offer. The manufacturer's representative selling advertised specialties must be a creative salesman in every sense of the word. He must understand how to conserve the value of the trademark. He truly represents the manufacturer in serving the customer and does not compete on a price basis.

Introducing Goods to Consumers by Solicitors

Small specialties are often established by solicitors sent out from the manufacturer's office. Firms having only a small capital, and unable at the outset to advertise and sell in a big way, often use solicitors, for a time only, as a means of making the goods known and as a preliminary to selling through retailers. Specialties which are limited in appeal cannot be sold successfully by any other means. If the margin on them is small, the solicitor handles them as one of a number of articles which he is prepared to present to the consumer.

The Manufacturer Who Operates Retail Stores

The manufacturer who operates retail stores is also a direct-to-the-consumer seller. In his advertising he often lays particular stress upon the statement that he has eliminated the middleman's profit and can, therefore, make the consumer a better price.

It may be he can, but I doubt it. He has taken upon his own shoulders the burden of maintaining a more complex organization and of handling many men on the road. In other words, he cannot eliminate selling expenses by going direct to the consumer. He may minimize it, by perfection of sales equipment and the institution of economies in the supervision and conduct of his business.

Unless he is a wonderful organizer and a handler of men, he may find at the end of the year that his net profits are less, and that the public has fared no better. That does not mean to say that direct-to-consumer selling is not economical; but that the highest type of business ability is necessary if the manufacturer is to make a success of it.

Chain stores are not examples of manufacturer-to-consumer selling; they are organized retailing.

The Mail-order House

In the fifth case, the mail-order house, instead of going direct to the manufacturer, *buys from* his *sales agent*. This means the mail-order departments of large businesses whose chief concern may be either wholesaling or retailing, but which maintain mail-order sections. It also covers the buying of goods by a mail-order house

from an importer or exporter or a merchandise broker instead of from the manufacturer direct.

The conditions which control the production of an article, the amount of capital to be used for promotion purposes, the utility and value of the article itself, the distance which separates it from its market—all those things must be considered in choosing a selling method.

The Middleman Essential in Almost All Selling Systems

Almost all selling systems call for a middleman. Importer, broker, wholesaler, or retailer, whichever he may be, he is a helpful factor in distribution and has justified his existence. To market merchandise costs a certain amount of money, varying in accordance with the character of the merchandise and the ability and the amount of work that the selling organization will put into a campaign. A manufacturer who decides not to employ middlemen does so because he has developed—or is convinced that he can develop—within his own organization the distributing ability which is the primary function of the middleman. Whether or not he can do this on a less outlay than it would take for middlemen is a matter which he must determine for himself by trial.

The manufacturer must be a creative salesman, or surround himself with men who are, or his business will come to nothing. The middleman must be a producer—serving the consumer—or be eliminated.

Nothing that I have said in this chapter should be

construed as endorsing the idea that all merchandise going from producer to consumer, through all the five routes I have outlined, are the correct ones for the merchandise to follow. In many instances I believe radical changes in distribution should be made. There are manufacturers who sell to the jobber, through a sales agent; the jobber then sells to the retailer; the retailer then sells to the consumer. There are many articles handled this way which could be shipped in original packages direct from the manufacturer to the consumer, even if the sale were handled through two or three middlemen, and every party to the transaction be materially benefited and especially the consumer.

The Middleman's Functions Should Be Clearly Defined

The route of this distribution should be adapted to the character of the merchandise. The functions of the middleman should be clearly understood by himself, and he should not attempt to do things that other people could do better, more economically, and with greater satisfaction to the consumer.

There is need for radical adjustment all along the line, but the particular point that I have endeavored to drive home in this chapter is that it is possible for the manufacturer to reach the consumer, using all of the established routes of distribution, and the consumer hold the manufacturer responsible for the quality of the goods that he makes, and the manufacturer be benefited by the sense of responsibility which he feels toward the consuming public.

I recognize that many distributors are going to fight this change the same as the old hand compositor fought the introduction of the linotype machine. Yet, from my own experience, I know that linotype operators make from two to three times as much a week as they did in the very best conditions under the old system of hand composition. The same is true regarding many distributors—they have learned their business by blindly following customs as they found them. They have not analyzed and thought things out, and realized that there were better ways of doing business.

Many manufacturers blindly accept the idea that the middleman who pays them for their goods is their customer. Goods in the market are a menace to the man who has made them—goods are never sold until they are in the hands of the consumer—the final buyer, the man who does not want or intend to sell them again.

The Middleman Is Not a Consumer

Many distributors are recognizing the new order of things, and confining themselves to banking and purely distributive functions. They are not attempting specialty salesmanship when they can secure the coöperation of the manufacturer's men on this point, get more expert assistance, and make more money than they could by having a larger margin of profit and taking the responsibility on their own shoulders of doing necessary specialty work educating of the trade.

All along the line the distributive system is loaded

with heavy labor costs—usually the lowest priced labor is the most expensive for the purpose for which it is employed.

Advertising Confers a Double Benefit

Advertising can, in every line of distribution, be used to a greater degree to reduce the cost of distribution, and at the same time to increase the compensation of the necessary personal labor required to maintain the various distributive channels.

One prominent retailer, who is generally reported to figure his cost of handling merchandise to the consumer from his source of supply at 30 per cent. on the gross price, told me that over half of his expense was labor, and including clerk hire, management, delivery men, janitors, etc. He took pleasure in telling me that his advertising expense was less than 1 per cent. on his total business. I told him that I thought he was overtaxing the consumer with an expense of 15 per cent. in labor and only 1 per cent. in the form of informative advertising, which could unquestionably reduce the cost of salesmanship, when it had the intelligent coöperation of clerks trained to thoroughly coöperate with the selling campaigns, of which advertising should be a more important part than at present.

This same condition runs through the jobbing business. Many men unpack and handle goods and pack them up again, which, if standardized, and the consumer educated to want them in exactly the form in which they left the manufacturer, could be shipped

direct from manufacturer to consumer, but bought intelligently in a retail store from well-displayed samples.

There is tremendous opportunity for improvement along these lines, and I predict that the next ten years will see changes that might be characterized as revolutionary. I still affirm that the regular established channels of trade will be maintained fundamentally along the same lines as they now exist.

REFERENCES ON CHAPTER X

There are trade papers which deal with the problems outlined in this chapter, many of them. Some are of unquestioned leadership, with offices in all important trade centres.

Particularly noteworthy are the *Dry Goods Economist* and *Iron Age* (both published in New York), which are edited by men of great power and national influence.

There are five (monthly) publications for undertakers and eight for miners. The grocer, the general merchant, and the allied trades are served by sixty-eight publications. And so on down the list, from automobiles to watchmaking. Each one of these trades has its own literature, to say nothing of house organs and catalogues which display the highest type of advertising skill.

CHAPTER XI

RETAIL ADVERTISING—PREPARATION

IN CONSIDERING retail advertising, one must not forget that many merchants have gone into business without any carefully laid plans in anticipation of what they were to do. Many men have inherited the business—others have started in as clerks, and gradually worked up.

In the agricultural districts are retired farmers who came into the towns to educate their children, and many of them engaged in the grocery business or dealt in agricultural implements.

The numerous failures reported throughout the country tell a graphic story of unpreparedness, lack of expert knowledge of the business itself, and especially of the characteristics of the consuming public.

Perhaps at this point I may be justified in digressing a little and expounding one of my pet theories in reference to the United States Government, making as far as possible a constant demand for labor. In 1896, when Secretary Bryan was urging the free coinage of silver, I wrote an article which was published in the Chicago *Record*, on the free coinage of labor. It will be found in Appendix No. 1.

A Stable Labor Market Necessary to Successful Retailing

I have never been able to become very enthusiastic over the idea of the Government going into business except on such natural monopolies as the Post Office Department and Government savings banks, where, especially in the latter case, the people could have protection and absolute security, and in times of panic would not hoard their money to the serious detriment of business.

Government Should Operate Natural Monopolies

The American people are too prosperous as a whole and too kind hearted to permit any human being to suffer for the want of food and shelter or raiment. If labor is not performed in exchange for these three fundamental needs of human nature, then society as a whole must bear the burden. Organized charity will provide for anybody who absolutely suffers for the lack of food, clothing, or housing. But society, as a whole, should have the benefit of the labor that every human being can perform.

It is a little short of a crime to have idle men at any time, especially when they really want to work. This condition is an indictment of the business ability of the American people to so manage their own economic affairs as to provide for their best interests. I have often thought that if the United States Army would enlist men for a six months' period, put them to work at road building, pay them handsomely for it—this would be the surest method of establishing a minimum wage for labor throughout the country, and at the same time

The Crime of Contributory Idleness

would ensure the general public as a whole getting the benefit of all work from people who were willing to work. Unless the Government does this, it means that retailers must always carefully consider the labor conditions in any section in which they wish to do business. Industries in which men are liable to be out of work for long periods of time make the retailing in such sections very precarious. The merchant cannot forecast, as he should, his purchases, and at times he is absolutely forced to take on serious credit risks.

Other things being equal, the retailer should prefer a location in a city where the industries are largely advertised. Manufacturers who use advertising to create a permanent, steady market are least affected by industrial changes. Employees are benefited by this policy, as in times of general depression they are not laid off.

Once having determined on the location, if such is within the option of the retailer, the next thing to do is for him to decide the particular street upon which he will locate his store.

The Location Within the Locality

Here again we see the value of the group spirit: this accounts for the fact that so many square feet on the corner of State and Madison streets in Chicago are worth many times more rent than identically the same amount of space one mile therefrom.

The fact that a large group of people have formed a habit of passing a particular corner, or along a par-

ticular block, every day, is the reason why a location at that point is worth more to the retailer than the same amount of space a short distance away.

Appreciation of Mental and Physical Conditions

The retailer, after securing his location, should then consider the characteristics of his group as a whole, and also those of the many smaller groups of which the community is composed. He should study their tastes, their prejudices, the influences that are at work to maintain or change their mental attitude and their method of living. The retailer should select his clerks carefully from the viewpoint of their fitness to harmonize with the tastes of the majority of his customers. Much could be said about fitting up his store so that everything would be convenient of access. Ample opportunity in the way of showcases, counters, and shelves should be given, after being carefully thought out, for the display of desirable merchandise. Mute salesmanship of this character costs little money but brings substantial results.

Buying Should Be Concentrated

The retail merchant should buy reliable, dependable goods. It is always better to concentrate his purchases to as small a number of sources of supply as possible in order to make his business worthy of being sought by the best houses, and in this way insuring the largest amount of attention. Where the quality of merchandise or the general policy of the houses from which the dealer can buy his supplies, is the same, then he should, in justice to himself, give the pref-

erence to the salesman who studies his needs and who is best equipped to counsel and confer with him on how best to merchandise the goods that the dealer buys from him. There are many dealers who owe much of their success to the counsel and advice and careful study of their business on the part of salesmen who regarded their line of work as an opportunity for service, and who valued the dealer's confidence in their judgment as a sacred trust.

After a dealer knows the purchasing capacity of his possible customers, he should endeavor at all times to bring them up to an appreciation of a little better standard than they naturally would ask for. In this way he secures the leadership which is necessary for him to build up his business, and to secure and hold the trade of people who like to feel that they are appreciative of quality and that goods have been brought to their attention because of that fact.

Comparative Value of Advertised and Unadvertised Products

The retailer should always put in advertised goods when they are of equal merit with the unadvertised lines. If he can buy other goods for less money, which in his judgment are equally good as the advertised line, then he should determine how valuable to him is the advertising on the higher priced line. If he can figure that this advertising will save him clerk hire, rent, and other expense, then the advertising justifies itself. As a rule, however, the advertised lines are generally meritorious, and the cost of advertising is not borne by the consumer. In this case the

dealer has no excuse to do anything else but handle the lines that are advertised.

Exclusive Agency

Careful discrimination should be exercised by the retailer in taking on exclusive lines of goods. There are many manufacturers who use this method of marketing their goods, because they know the thought of having something that one's immediate competitor does not possess appeals to retailers generally. Often retailers make a mistake in listening to this argument, for there are articles of great national sale which are open to any distributor who will buy them, that unquestionably give the greatest satisfaction to the final consumer because of the advertising which has been done in advance, and which is continued after the purchase has been made and the buyer's satisfaction ensured in every possible way.

National Prestige and Local Reputation

Retailers often make the mistake of trying to substitute an article on which they have exclusive local sale against one that has a broad national sale. As I have tried to show in other chapters in this book, a manufacturer who can get control of the market and reduces the price to entrench himself therein unquestionably gives the greatest possible service to the final buyer. I do not know any of these manufacturers who have reduced their prices who want the retailer to handle goods without a satisfactory profit. In fact, so far as I know, all of these agitations that are being waged, which advocate legislation in Con-

gress in favor of permitting manufacturers to insist on retailers maintaining their prices, are done by the manufacturer. He wants the retailer to make money, and he does not want to reduce the retailer's profit. He knows that if he can get the largest possible volume of distribution, he can, in the economy of manufacture, reduce prices and entrench himself against competition in his own field. He knows that price-cutting on the part of the retailer reduces the volume of total sales, and that the retailer cannot render the consumer the best service unless he is sure of regularity of demand.

Analyze Selling Costs

Retailers often make a mistake in spreading their expense of doing business over all the articles they sell. For instance, it certainly costs a retailer more in rent and labor and overhead to serve a glass of soda at 5 cents a glass than to hand out a package of chewing gum, the demand for which has been created and developed by large national advertising.

The retailer fools himself if he thinks that the washing of the glasses, the labor in dispensing the soda, and the amount of time taken up by people standing at the soda fountain is anything like the same degree of expense to him as the transaction involved in handing out the chewing gum. All he needs to do is to figure how many sales a clerk could make to people who came in and asked for chewing gum, provided they came in all day in somewhat similar manner to which the patrons of an elevated

railroad go through the gates and drop their tickets into the ticket-dropper receptacle. The elevated railroads—a large institution—furnish a good deal of transportation for 5 cents as well as covering the labor of people who sell tickets and receive them at the gates.

This analogy applied to advertised goods explains why many merchants are so successful who take hold and coöperate with the national advertisers in the distribution of these goods by pushing them.

Coöperate with National Advertising

The retailer can use every advertising medium that I have described in this book. Many of them he can afford to use directly. He could get the benefit of all of them indirectly by cashing in on the manufacturer's advertising on goods that he distributes exclusively in his own section, or by coöperating with the big, heavy, national advertising campaigns on goods that are not confined to any particular store, and by doing this, he will get more than his ordinary share of the business which the manufacturer is creating. The dealer should do no advertising until he is ready with the goods to back up all that he promises in his advertising.

REFERENCES ON CHAPTER XI

Mr. Harlow N. Higinbotham, formerly a partner of Marshall Field & Company of Chicago and president of the Chicago World's Fair, has written a valuable book entitled, "The Making of a Merchant," published by Forbes & Company, Chicago, 1911.

Advertising has developed greatly as a service factor since Mr. Higinbotham was active in business. He recommends unadvertised lines as giving the dealer a greater profit. To-day he would find that the manufacturer's advertising on many lines saves the dealer clerk hire, rent, and brings him business.

He recommends retailers to teach their clerks to be decisive in dealing with customers, and aptly says: "When the decision is put up to the customer he will invariably name the brand most widely advertised, because it is the first that comes to his mind."

CHAPTER XII

RETAIL ADVERTISING—METHODS AND MEDIUMS

THERE is no argument needed to convince any one that if people come to a store, make their selections, and allow the proprietor to deliver goods through an organized delivery method, that they can secure more for their money than if they make purchases from peddlers.

The first purpose of advertising on the part of the retailer should be to bring people into his store.

The people who pass the store every day are influenced better by the store window than any other medium that could be used. Goods should not only be attractively displayed but should be marked with prices. In this way the effect of the advertising in the store window can be accurately checked up.

The same clear-cut fundamentals govern the success of a department store and a fruit-stand. Each exists, primarily, because of a group. Each has been established in a locality to which common interests and needs draw a group of people constantly.

In polishing his apples, arranging the grapes and cherries in small packages, and putting in his spare

time making up attractive assortments, the fruit-seller shows the same elemental appreciation of the advertising value of display which is revealed in the department store's handsome windows, neat shelves and counters, and carefully trained clerks who impress all comers with the fact that "it is a pleasure to show goods."

Attract Favorable Attention

The price ticket on a basket of grapes is at once an appeal to the bargain-hunting instinct of the suburbanite and constantly a confidence-compelling affirmation by the proprietor that the goods are worth the price asked, and that he is willing for any one to know it.

This same fruit vendor has found out that he can depend upon a certain class of discriminating trade *if* he sells well-advertised goods in the original unbroken package. Many a small store proprietor would do well to follow his example and display them in his windows.

A retailer in Chicago recently moved his store and paid $15,000 more a year for rent for identically the same space he had before. In the new location he had six show windows, as he took a corner, where before he only had two. It is a question whether the class of people or the number which pass the new store were any different than in the other. The $15,000 additional rent was more than justified by the four additional store windows. These windows were constantly changed with goods attractively displayed.

After the store windows have been used to bring people into the store, it goes without saying that goods should be attractively displayed inside the store, not only to interest people, but to stimulate their desire to purchase. This mute salesmanship, employing the power of suggestion, often makes more sales than a clerk can do by trying to talk people into buying.

Inside Store Display Essential

The very best medium that a retailer can use to bring people into his store that do not regularly pass by his location, is the newspapers. A retailer who knows how to use a local newspaper and get a prompt response is very fortunate indeed.

As I have said before, it isn't necessary to advertise bargains all the time. It is wise for the retailer to regularly and systematically impress upon the readers of the newspapers the fact that he sells dependable goods, and he stands back of everything offered in his store.

In only one way has modern business improved upon the method of the late Mr. A. T. Stewart, who used to stand at the front door of the store, greet his regular customers by name, and occasionally slip into a package a tape-line, a spool of thread, or some other useful little article, for good measure. The improvement is the change from a personal to an institutional business, the result of emphasizing the fact that the business is being conducted according to such sound merchandising

The Chief Improvement in Modern Business Is the Change From a Personal to Institutional Business

principles that the constant personal presence of the owner is not essential to perfect service. The one-price system and the "money-back if goods are returned within a reasonable time" have gained the confidence of the public. This thought should be continuously reiterated in the retailer's newspaper announcements.

One of the best ways in which a retailer can use his local newspaper is fully described in another chapter headed "National Advertising and Exclusive Dealers."

Where the retailer has exclusive sales of a nationally advertised specialty, it doubles the value of his own newspaper advertising by connecting his store with the national magazine advertising of the manufacturer.

There are many advertising mediums which the retailer should absolutely refuse to use. I refer particularly to those that are of a semi-benevolent or semi-charitable character.

The Retailer Should Be Able to Say No

The retailer should make an advertising appropriation of from 3 to 5 per cent. of his total sales and then spend it as if it was the money of somebody else that had been entrusted to him to accomplish the best that could be done with it. The retailer who looks at his advertising appropriation in this way will not use the various schemes that are continually being put up to him.

There are men who go around the country enlisting the retailers to advertise in their own local newspa-

pers on schemes that make the solicitors enormous profits. This, however, is being relegated to the past because of increased appreciation of the value of good advertising methods on the part of the retailer and the newspaper publishers.

The retailer should not buy calendars or novelties or devices of any kind unless he knows in advance exactly how he is going to distribute them.

The Plan More Important Than the Medium

The very best way to distribute anything of this kind is to have people come into his store and get them. He should have a distributing plan in the form of newspaper or mail advertising to accomplish this before he buys.

If a retailer feels that he must contribute something to a local church organization, or a lodge, or some other semi-benevolent enterprise that approaches him for an advertisement in a program, he ought to, in some way, find a method by which he could contribute the equivalent of this money in the form of merchandise which people would have to come to the store to see or to derive any benefit therefrom. It would take several books to record all of the clever ideas that have been worked out along this line. There are trade-papers and special advertising papers that are continually recording these things, and it is not the function of a book like this one to go any further into detail.

The dealer should, at all times, have his store in such an attractive condition that it is profitable for him to have people visit it.

I have previously pointed out that the big department store is in the best position to use local newspapers. Fortunate indeed is the retailer in a town that has a good local newspaper, circulating entirely in his trade territory.

An entirely different problem is presented to the neighborhood retailer in a large city or to the suburban dealer who has no local newspapers whose trade territory corresponds with his own.

These suburban storekeepers, especially grocers and druggists, are just now discovering that if they display wares which are being widely advertised in newspapers and magazines that circulate in their neighborhood, they can cash in on this advertising identically as if it was their own.

How Suburban Retailers Can Cash In on the Manufacturers' Advertising

A number of newspaper publishers realize how important it is that these retailers who cannot afford to advertise themselves know how to benefit by the manufacturers' general advertising.

No department store proprietor would even think of advertising a special line of goods, unless his clerks were properly educated and specially coached how to coöperate with the advertising when the people came in to see the goods. All retail stores can use the manufacturers' newspaper and general advertising, without paying for it, by merely coöperating with it. The retailer who knows what is good in newspaper and magazine advertising, who knows the circulation of the general mediums in his ter-

ritory, can realize on the manufacturers' advertising just as completely as if he was paying for it himself.

How the Retailer Can Remove Doubts

If he is in doubt as to the amount that is spent by the house that sells him, he can get accurate information by applying direct to the publisher, or to any large advertising organization that coöperates with national advertisers in preparing and placing copy.

Some retailers have been imposed upon by advertising promises that have never been realized, and have erroneously assumed that all advertising is alike, and that one manufacturer's publicity is no more valuable than another's. No part of the retailer's education is more important than that he have an accurate knowledge of advertising mediums, both national and local. This will enable him to discriminate between the manufacturers who use advertising to serve the consumer, and reduce the cost of distribution, and those who try to bluff him by making him think that the advertising is being done on a larger scale than is really the case.

The better grade magazines, newspapers, and class publications are exercising close censorship over the manufacturer who does business along questionable lines. Many publishers will not accept copy unless they know that the advertising is sincere, straightforward, and done with the idea of benefiting both the consumer and the distributor. Just as any banker will give an opinion of any worthy investment, so any advertising house of standing will verify the

claims of the reputable advertiser. Dealers certainly should not give their coöperation where this is lacking.

Plan Your Work—
Work Your Plan

In closing let me reiterate that a dealer should sit down at least once a year and map out for himself a definite, tangible, complete campaign. He should know exactly how much his appropriation is, and he should spend it as if it was somebody's money that had been entrusted him to get the very best results from. He should be regular and systematic, and he should use all of the means that are placed at his disposal. He can have all of the exhilaration of the chemist who works in his laboratories, the satisfaction of the mathematician that solves problems, the zest of the hunter, and the calm satisfaction of the man who makes plans and sees them materialize.

REFERENCES ON CHAPTER XII

Very many books have been written about retail advertising. Correspondence school courses are largely concerned with writing advertisements for retailers. A number of houses furnish a syndicate service in the form of ready-made advertisements selling one dealer in a locality.

In almost every city of 10,000 population or more there are one or more advertising agencies or advertising service bureaus which make a specialty of writing copy for retailers. Practically every paper covering retail trades has a department devoted to retail advertising.

The live daily newspapers, in metropolitan and provincial cities, are the best primers for the man who wants to study the best, latest, and broadest aspects of retail advertising.

Mr. George M. Reynolds, president of the Continental and Commercial National Bank of Chicago, states that when a boy in a small Iowa town he subscribed for the great newspapers of our large cities, in order to keep constantly in touch with the outside world.

CHAPTER XIII

RETAIL ADVERTISING—MAKING GOOD

AT AN exhibit of farm vehicles, once, I heard a barker point out clearly the institutionalism of banking and merchandising, and the labor-saving value of trustworthy methods of doing business, in his reply to a couple of farmers who were chaffing him about his sales talk for the buggies he was demonstrating. They told him he was the most interesting liar that they had ever heard. He turned on them and quickly said: "You are honest farmers, but you have a peculiar way of showing your honesty when you do business with each other. You trust your bankers with your money without question. You let your wife and children trade with your local merchants and it never bothers you at all, because you know they will be given a square deal. But I notice that when one of you wants to buy a horse or a calf or anything else from another farmer, this is never delegated to anybody. You always do the work yourself. You are honest, you certainly are, and you show it in the way you trust each other."

The particular point in this story is the fact that the dealer is expected to be honest and trustworthy

as a matter of course, and there can be no doubt that his influence, prestige, and permanent position in the field in which he is doing business are in direct relation to the size of the group that has this kind of confidence in him.

Maintaining Confidence Increases the Dealer's Assets

I have outlined in chapters XI and XII that the retailer should be prepared, and that he should use advertising mediums to accomplish a specific purpose. But after all this has been done, there remains an additional responsibility which in my judgment is worthy of a separate chapter. And that is the idea of making good on every advertisement that the dealer puts out.

The retailer who gets the most out of advertising is one who regards every advertisement in the same light that he does a note that he gives to his bank or to a house that supplies him with merchandise. He has invited the public to his store and put himself in the same position of a host who is giving a dinner party. If people come to the party and nobody knows about their coming, and there is a hurrying and scurrying about to put extra plates on the table and apologies for the lack of preparation, the guest naturally feels that he was not really desired after all.

It is of the utmost importance that the advertiser back up his advertising with the same sincerity that he expresses in his announcement. Clerks must be trained to appreciate that the word of the store has

been given, and that any failure to make good on their part is a very serious offence.

Inviting the Return of Merchandise Increased Profits

One of the most successful heads of a big department store that I know believes that he cannot possibly cash in on his advertising unless he maintains the confidence of every one who comes into his store to an extreme degree. As an instance, he told me one day, when I called on him, that the man who had just left his office was the manager of his shoe department, and he showed me with great satisfaction a report that his manager had just left with him. He explained that three months before he had called on this department manager and told him that the percentage of returned shoes was too small. The subordinate mentioned that he had expected commendation instead of criticism for this, and insisted that wherever there had been the least reason he had permitted shoes to be returned and the money refunded or other shoes sent out in place of them.

"You certainly don't want to let a girl come in here and get a pair of fine dancing shoes, wear them all night, and come in the next morning and change them for everyday shoes," the department manager protested.

"That is exactly what I do want. Those girls have fathers and mothers who undoubtedly do not approve of what the girls do, but they will feel kindlier toward us when they find that we are indulgent with their children. Try it three months and see."

The report showed an increased volume in sales in the shoe department that the head of the store figured was due to no other reason than greater liberality in the matter of returns.

"Taking Back" Goods the Dealer Did Not Sell

On another occasion, I called with a salesman representing a large paint house on a prominent store. The keen eye of this salesman picked out a small can of paint that was lying on the floor and asked the manager if he handled this particular brand. The manager laughed and said: "No, but a woman came in here this morning and said she had bought this can from us and didn't want to use it, and so, of course, we took it back without argument."

This was certainly an extreme case, where a department manager allowed the customer to say that she had bought an article that he had never had in the store and gave her the money which she claimed to have paid for it. It illustrates, however, the idea that the state of mind of the customer toward the store is of the utmost importance and cannot be trifled with without detriment to the group spirit, which is really, after all, the essential character of the store.

The Power of Service

Service to the customer should be the beginning, the expression, and the "follow-up" of every advertisement.

Attractive window, counter, and floor displays, which remind and inform passers-by, are true service factors. They economize the time of the consumer and dealer.

Courteous, prompt, and intelligent attention of

salesmen who know their stock, and having constantly in mind the satisfaction of the customer, is the only good-will asset which will bring trade from a long distance and hold it in spite of price competition.

Retailers who sell service have no mail-order competition, and they do not advertise the mail-order business even by discussion.

When we can be sure of price maintenance on nationally advertised goods, we shall have reliable merchandise at lower prices than ever before, because of economy in wholesale production, unimpeded movement to the consumer, with minimum cost of salesmanship on the part of distributor and dealer. The retailer who advertises bargains is not giving his customer a square deal if he sells an advertised product of merit at a price less than the legitimate cost to distribute the same. The retailer is not giving the consumer, who is his customer, the service or the protection to which he or she is entitled when he cuts prices on advertised goods with the sole idea of making a profit out of selling other goods on which the margin of profit is abnormally high.

Price Cutting Benefits Nobody

I recognize that the statement that the retailer should maintain in all cases the prices that the manufacturer puts on the goods to be sold to the consumer will be open to question. I want, however, to make myself perfectly clear. There are, especially in the drug field, lines of goods on which the profit is marked abnormally high for the retailer. On the theory that

all business should benefit the consumer, we cannot exploit him by asking him to pay more than the service is actually worth. Many of the cut-rate drug stores are performing a legitimate function, but they are giving the people a wrong impression regarding cut prices. The fact of the matter is that the retail margin scheduled by the manufacturer was too high in the first place, and most manufacturers do not expect these margins to be maintained.

There can be no question, however, that on nationally advertised goods of genuine merit where the price for distribution has been scientifically fixed, the retailer will do best to coöperate along these lines. He cannot be true to his customers if he creates the impression that he is selling all goods on the same narrow margin that he does advertised goods of real merit when he cuts the retail price on them. On the other hand, he cannot command the coöperation and support from the manufacturer in developing a larger volume of business when he interferes with his scientifically developed plans to benefit the consumer.

This brings up a question that might as well be discussed here as anywhere, and that is whether the price that is charged for many goods is worthy of the service the buyer receives.

The Difference Between Intrinsic, Real, and Commercial Value

For instance, there are many conscientious people who believe that any business in liquors, tobacco, and luxuries generally is an economic waste and a burden to the public. There are others who believe that the sale

of patent medicines is detrimental to the interest of the people as a whole. There are others who do not believe that investments should be advertised at all in themselves, but that advertising in connection with investments should refer wholly to the integrity and the ability of the banking house or investment institution that sells the securities.

We must recognize that intrinsic value, real value, and commercial value are entirely different things.

I would define intrinsic value as that quality in articles which scientific expert buyers would determine by tests. Alcohol used in the arts might be intrinsically more valuable coming from one distillery than another. Yet in the minds of many people, alcohol has practically no real value.

Real value is something that without question contributes to the benefit of the human race as a whole. There is no question that pure water possesses real value. There might be some discussion as to the intrinsic and commercial value of pure water. These differences of opinion would depend wholly on the relation of other things connected with it.

Commercial value is that quality in an article that creates satisfaction. Satisfaction is the test of every purchase. When the consumer is satisfied with his purchase we may safely say that the article that he bought possesses commercial value, and necessarily that is the basis on which we must discuss the question of value in its relation to advertising.

The point has been made that the department store and its very attractive advertising has raised the standard of living to such a point that many people want luxuries and justify the possession of them on the theory that they are actual necessities. It has been pointed out that the most valuable work for the community as a whole has been done by people who endured privation rather than by those surrounded with luxuries which take time to enjoy as well as require heavy expense to maintain. I have never been able to see how advertising could in any way be responsible for creating a condition that would be injurious to the people in any degree. Perhaps I should qualify that by saying that truthful advertising could not injure the people in any possible way.

Will Service Become Too Costly?

Fortunately, the movement for truthful advertising has been brought about by advertising men themselves who realized that advertising's greatest value would be demonstrated and developed by having it always dependable.

The insiders in advertising have asked that the law take cognizance of the benefit of truthful advertising and discipline those who do not follow the lines of their best interests.

From intimate observation of a number of captains of industry I have made up my mind that they get little more in exchange for their arduous efforts than shelter, clothing, and a very modest amount of food. These men work under self-imposed privations be-

cause they can accomplish the big work they are doing better by following such methods.

The Desire for Luxury Stimulates Industry

Booker T. Washington is authority for the statement that until the negro is aroused to the desire to possess things that are generally conceded to be luxuries, he cannot be stimulated to scientific and fruitful methods of industry. I am sure that the cultivation of domesticity—the beautifying of the home, making it a more comfortable place to live in, the possession of works of art, and the consequent care in preserving and caring for them—has its reflex upon the community as a whole.

Personally I am not afraid of the extension of the service idea on the part of our big department stores, where it is true that the cost of concerts, lectures, rest rooms, and long-range deliveries must be covered in the price that people pay for merchandise. There are many compensations resulting from this method, but the best protection of its abuse lies in the fact that large national advertisers are competing with each other to give to the consumer or final buyer the greatest possible service for the amount of money he spends.

Service Competition Invites Coöperation

This force is at work apparently at the present time in competition with the big department stores, though there are signs that some of the larger and better managed department stores are seeing that there is a basis for coöperation with the large national advertiser. If the department store refuses to distribute

the large national advertisers' products because there isn't sufficient margin to pay for all of this service, these goods will be distributed by smaller stores located closer to the consumer. This is competition along service lines that cannot help but benefit everybody that is engaged in it.

Advertising Will Bring Needed Reforms

Advertising can—and I predict will during the next ten years—accomplish many reforms. It is going to show that the buying from peddlers is an unnecessary tax upon the people as a whole; that the time of these canvassers could be better spent in more productive labor for the community.

Advertising is going to prove that food products handled in a sanitary way will not only eliminate the waste due to sickness, the result of unsanitary conditions, but that the possibility of doing things in a broad, large way will increase the market, and wherever markets are increased the proceeds of a day's labor always buys more.

Advertising is the most dependable force which we have to-day to overcome the ups and downs of labor conditions.

It is very seldom that the large national institution that markets its goods through advertising channels lays off men.

As a rule, the well-managed business is continually adding to its force of operatives and is doing business along steady, stable, permanent lines.

The large national advertiser necessarily has to be

a student of general conditions, and he prices his goods to the consumer on the basis that will take care of the fluctuations of raw material. There is no argument that stable conditions are better for industrious people than any other kind.

Stable Conditions Insure Prosperity

We need only go back a few centuries and realize in what a low state agriculture was when the castles along the Rhine and the shores of the Mediterranean were inhabited by warriors who protected the tillers of the soil from pirates, but at a price which gave a very slight return indeed to the farmer himself. This should be contrasted with the continued prosperity of the six million American farmers of to-day. This is an unanswerable argument in favor of stable conditions.

There is no force at work in America doing more to establish and maintain stable conditions than advertising.

REFERENCES ON CHAPTER XIII

Particularly recommended is "How to Run a Store at a Profit" (the System Publishing Company, Chicago), from which the following suggestions for the retailer have been culled:

1. Fixed price articles carried as an accommodation ought to at least take care of themselves.

2. Newspaper advertising appropriation should be from 3 to 5 per cent.

3. Carry the right amount of stock and no more.

4. Watch your overhead expense. Overhead is frequently figured incorrectly or charged incorrectly.

5. Know at all times what percentage of your profit is actually net.

6. Have your goods so arranged and displayed that the minimum amount of time is necessary for laying them before the customer.

7. Keep a record of the percentage of the selling price lost by mark-downs.

8. Look out for negative expenses. They are: poor displays, dingy stores, insufficient light, heat, or ventilation, ice on sidewalks, discourteous or inattentive clerks, etc.

9. In buying forget that you own the store and regard yourself as the purchasing agent for your community.

I also call attention to the "Retail Merchant's Ten Commandments," which were published in the *Monthly Bulletin* of the National Association of Credit Men, 41 Park Row, New York City:

1. Confine purchases to as few houses as possible.
2. Do not overbuy.
3. Take all discounts and pay all bills when due.
4. Have some books, especially an accurate expense account, a daily sales record, a book showing purchases, with cost and when due.
5. Carry enough insurance.
6. Make accurate reports to the commercial agencies and answer all letters.
7. Keep a clean, well-arranged store.
8. Do as much cash business as possible.
9. Do not make unjust claims.
10. Live within your means.

CHAPTER XIV

MAIL-ORDER ADVERTISING

ADVERTISING is most competent when it serves the consumer in the distribution of worthy merchandise through the natural channels of trade.

Some people think that the mail-order business is an illogical and unnatural business, because it eliminates the jobber, the traveling salesman, and the retailer. It is not. It is the direct result of intelligent and adequate advertising. No one can fully grasp the power of national advertising and merchandising through the natural channels of trade until he clearly comprehends the possibilities and the limitations of the mail-order business.

Total Mail-order Business of United States $2,094,000,000 per Year

Two great mail-order establishments in Chicago are credited with a combined annual business of $113,000,000 for 1913.*

The total mail-order business of the United States has been estimated to be $2,094,000,000, or about $22.76 per individual.† During 1912 the Ameri-

*Quoted from December Boston *Traveler-Herald.*

†These figures were given me by Mr. C. C. Parlin, who has been making an extensive research, recently, for the Curtis Publishing Company.

can family spent $785,000,000 for men's clothing, $600,000,000 for women's clothing, and $1,125,000,000 for children's clothing. The total, $2,510,000,000, is a little more than $27 per capita for the 91,972,266 people of the United States according to the census of 1910.

There are 20,689,000 families in the United States. Their income is about $27,000,000,000. With twenty-seven billions coming in and only two billions going out in mail-order business, there is a chance for our 790,886 retailers and the 42,293 wholesalers who look after their needs to do an excellent business.

Plenty of Room for Both Mail-order and Dealer Business

There are 2,164 towns of 2,500 people or more in the United States, having a total population of 41,140,847. More than 42,000,000 people live on our 6,361,502 farms. This leaves about 8,000,000 in villages of less than 2,500. Our 42,517 rural mail routes serve 16,199,000 people. These figures suffice to prove that there is a natural and strictly legitimate place for mail-order business, and it is bound to increase in volume each year.

Mail-order Business Natural and Legitimate

A large wholesale jobbing house has recently been estimating the cost of doing business with three classes of merchants, i. e., those located in towns of (1) less than 2,500 population, (2) between 2,500 and 25,000, and (3) 25,000 and up. They found out that it does not pay to send a traveling salesman with a full line of samples to a town whose population is

less than 2,500; and that unless the merchant himself goes to the market often, he cannot meet mail-order competition, for his merchandise will not satisfy the wants which the newspapers and magazines have aroused by the story of what is newest and best in the large cities.

The Live, Wide-awake Merchant Has No Fear of Mail-order Competition

For many years I have been asking my dealer friends this question, "Does a live, wide-awake local merchant who comes to market at least twice a year fear mail-order competition?" I have still to find an instance in which a good merchant was not able to meet and overcome it. Mail-order business depends on the inadequacy or incompetency of local merchants or serves a class of people so widely scattered and having wants and desires so occasional that it would not pay the local merchant to consider them.

The Field That Mail-order Advertisers Serve Better Than Any One Else

This, it seems to me, is the rightful field of mail-order business, and retailers and mail-order houses are recognizing it. It includes courses of instruction by correspondence, awarding premiums for the sale of soaps, perfumes, teas, and coffees to one's neighbors, buying diamonds and household furniture on the installment plan, and all kinds of farm utensils, building materials, bicycles, buggies, pianos, piano players, and the like. Dealers in poultry and poultry supplies, and subscription agents have been especially successful with mail-order methods. The

purchasers are so widely scattered and the lines so seasonable that it does not pay the retailer to stock them.

Many Nationally Advertised Lines Started in a Mail-order Way

Quite a number of nationally advertised lines of merchandise were started in a mail-order way. When a group of influential consumers had been developed, the agency for the line was given to a local retailer, who coöperated with the national advertising. This plan has been most economical and successful in introducing such articles as card-index cabinets, sectional bookcases, guaranteed hosiery, tailors-to-the-trade supplies, washing machines, safety razors, typewriters, and cameras.

Each mail-order house builds its own consumer group. The sum total of these small groups constitutes one great group which buys by mail. There are a number of publications of national circulation whose subscription lists are the result of sending circulars through the mails. There are some which are called "mail-order papers."

Choosing the Medium for Mail-order Advertising

Those who subscribe by mail are not likely to buy by mail. In Augusta, Me., a city of 13,000, two publishing houses send out, each day of the year, an average of more than a carload of mail-order matter. To look through the advertising columns of these publications, to answer the advertisements, and to study the follow-up material would be a liberal education in mail-order methods.

No mail-order business that I know of selling direct from its advertisements has been successful.

Almost without exception mail-order advertising aims to locate possible buyers. Whether or not a mail-order business will pay depends upon the contents of the catalogues, printed literature, and sales letters sent out. Many of the money-making mail-order businesses of the past twenty years have been based on plausible but insincere appeals. But the government took a hand and put most of these fakes out of business.

Mail-order houses which make good on their promises merit the confidence their customers have in them. Their catalogues are informative, models of logical and emotional appeal, and could profitably be studied by every merchant and clerk who handles similar lines. Houses which put out large catalogues reckon each page as worth several thousand of dollars in sales power; and each department is charged with the cost of the space it occupies in the catalogues. Therefore a high premium is placed upon ability to write accurate, informative, sales-compelling descriptions of the items illustrated therein.

Sales Producing Matter of High Quality Used by Mail-order Houses

Catalogues are not sent out indiscriminately. The utmost care is taken to prepare the mind of the recipient for the catalogue and to invest it with value in his or her eyes. Customers who have not ordered for some time are cut off the mailing-list.

Each letter or inquiry is completely and cheerfully

answered; each complaint is given courteous and careful attention. The confidence of the buyer is stimulated and courted in every possible way, even to sending goods out on approval. This is not really the risk it appears, because the postal laws of the United States are very strictly enforced. Our Government deals promptly with the man who buys merchandise by mail and does not pay for it. Express companies allow buyers to inspect goods sent out by a mail-order house on approval, to be returned to them if unsatisfactory.

Creating Confidence —the Constant Aim of the Mail-order House

It is interesting to note (as proof that the mail-order business does not encroach upon the territory supplied by the ordinary channels of trade) that large retail stores in big cities have found it impossible to build successful mail-order departments with the talent which is useful and valuable in serving the consumer over the counter.

There is something fascinating about being able to write a piece of copy that will produce direct mail-order replies within a certain cost. The preparation of mail-order literature, the answering of letters, and the handling of the goods themselves must be delegated to persons who realize that they must more than offset the prestige-producing and confidence-building effect of a well-located store, attractive counter and window displays, and capable salesmen. The copy writer must understand the value

Mail-order Copy Must More than Offset the Prestige, Displays, and Personal Salesmanship of the Store

of these factors, and replace them in the printed words in the catalogues and in the letters which he writes.

The building of an advertisement which shall attract new customers for a mail-order house is as severe a test as a copy writer can be put to. Unless he gets enough direct responses from the right class of people to make the merchandising effort as a whole profitable, his work is wasted. He must know how to tell an interesting and plausible story; he must also have the faculty of putting into that story an appeal to the buying impulse which will bring a response large enough to prove constantly that his work is being well done. He must keep in mind all the follow-up material which is to be used upon these inquiries, so that he will not attract the merely curious; for confidence, once won, must not be trifled with.

Every Word Must Be Carefully Weighed in Writing a Mail-order Advertisement

The trained writer of mail-order advertisements knows that a single word may effect seriously the number of inquiries received. The headline, "Increase Your Salary," brought twice as many inquiries, in the same publication, as "Increase Your Income," the rest of the advertisement being exactly the same.

A considerable portion of the want columns of daily newspapers and also of the advertising space of mail-order papers is devoted to "Agents Wanted" advertisements. The consumer unquestionably pays more for the article that is peddled from house to

house than for equivalent values to be had of any reputable retailer.

It is safe to assume, however, that as long as human nature is as it is, the satisfaction of having one's trade sought after and the pleasure of listening to a forceful sales talk will make it profitable to peddle sewing machines, subscription books, enlarged portraits, and many household articles. Almost all such agents are secured by mail.

The Change of One Word Made a Wonderful Advertisement of a Mediocre One

Manufacturers whose product is to be sold by canvassers put out ingenious advertising and follow-up matter. The word "Rider," in front of the stereotyped but none the less dependable words "Agents Wanted," brought the Mead Cycle Company 630 answers from a single insertion of an inch advertisement in the *Youth's Companion*. Something about the headline, "Rider Agents Wanted," gave the old story a new significance, and many people wrote in who decided, when the agency plan was explained to them, to buy the bicycle but not to canvass for sales.

Good Mail-order Copy Should Be Repeated

Six pieces of copy, with different headlines, but all telling the same story, published on different pages of the same publication, brought answers costing from 8 cents to $1.54 per inquiry. A good piece of mail-order copy can carry an expenditure of from $50,000 to $200,000 before it wears out. A business which sells a course of instruction pays as high as $1.00 per inquiry, and makes good money on each of seven follow-

up letters which are sent out within the next eighteen months.

I have indicated that the best foundation for a mail-order business is the list of names resulting from dragnet advertisements in mediums of general circulation.

Getting the Names of Possible Buyers

Businesses have also been built up by circularizing lists of names. Several houses make a specialty of listing dealers according to sections, ratings, and the kind of merchandise handled, and guarantee the names to be live and that the addresses are correct. There is also a business in selling names that are taken from answers to mail-order advertisements. At clipping bureaus one can buy lists of the names of persons who are accustomed to travel, those who are reported ill of certain diseases, those who contemplate building, and other information which is gathered from the newspapers.

Seldom are mail-order advertisements used for any other purpose than to get new names of possible customers. Some houses have used large space in order to get a certain prestige. But in mail-order work the custom is to use no more space than is necessary to locate a possible buyer. Prestige-building and confidence-developing work must be done by the catalogue and follow-up literature.

Mail-order Advertising to Focus Attention on the Catalogue

For many years a certain large seed house that sends out more than 500,000 catalogues during December and January has used large space

in big circulations in March, apparently to get new inquiries for the catalogues. But in reality it is to centre attention upon the catalogues already placed in these 500,000 homes, and to stimulate immediate purchases therefrom.

Much of the "Agents Wanted" misleading mail-order advertising has been barred out by the better class of national publications. It will be refused by large daily newspapers as soon as their publishers realize that the confidence of the reader is an asset which should not be trifled with by advertisers who do not make good in every way.

Many men who have been successful in planning and writing mail-order copy have found a larger and more profitable market for their ability in connection with the established channels of trade.

For many lines of business, then, mail-order methods of acquiring and selling the customer are most economical, and for the introduction of a product often afford a quicker, more satisfactory, and more profitable national distribution than could be secured in any other way.

REFERENCES ON CHAPTER XIV

A live and readable monthly, *The Mail Order Journal* (Chicago), contains all the news about mail-order advertising and much valuable information about general advertising.

In 1900 the Sawyer Publishing Company, Waterville, Me., issued an interesting book, "Secrets of the

Mail Order Trade." Though much of its data is now obsolete, it is well worth reading as an historical document.

A complete series of the catalogues of any big mail-order house shows up very vividly the development of mail-order methods and ideas.

To answer the advertisements and read the follow-up literature sent out by a successful mail-order house is one way of making sure that one's information is up to date.

CHAPTER XV

NATIONAL ADVERTISING AND EXCLUSIVE DEALERS

ONE of the fallacies which an advertising man must combat constantly is the statement that if a little advertising is good, more of it should be a great deal better. Advertising is like food—it should be taken, not as an end in itself, but as a means to an end. Three meals a day three hundred and sixty-five days in the year is more economical and more valuable than alternate fasting and feasting. Too little starves and weakens; too much is a burden and does not allow the organization to function properly.

In the preceding chapter I indicated that advertising will *start* a business. It will also maintain a business. The weakness or strength of mail-order advertising is at once evident in the business itself, for advertising is its very foundation. We see quite a different use of advertising when we consider the manufacturer selling to the exclusive dealer. Here advertising is the factor which amalgamates the work of two distinct and strongly entrenched forms of business. On the one hand is the retail merchant who values his personal reputation and standing in the

community in which he lives; on the other the manufacturer who is proud of the quality of the merchandise he makes and appreciates keenly his responsibility to the consumer.

An Arrangement Between Manufacturer and Retailer for the Benefit of Both

The manufacturer does not care to have the identity of his goods lost in the average jobber's stock; the retailer does not want to put his creative ability back of merchandise which can be supplied to his trade territory by any of his competitors.

The manufacturer approaches the merchant and explains that he wants the same high quality of service in placing his goods in the consumer's hands that he himself puts into their design and making. He knows that the retailer can take care of certain elements of a complete service to the consumer better and more economically than he can. He must convince the retailer that he can maintain a high quality and make it possible for him (the retailer) to serve his community with *the best* at the least cost to the consumer.

The Manufacturers Must Contribute All Possible Selling Help—the Retailers Actively Push the Sale

Coöperation of such sort cannot be effected unless the manufacturer brings to the merchant all the selling helps which are produced in a national way most economically, and unless the retailer puts forth the best effort of which he and his organization are capable and takes advantage of the national selling helps that are given him.

The manufacturer can afford space in national

mediums which, as they circulate in the retailer's territory, are the most valuable form of local advertising. The manufacturer's national advertising doubles the value of the dealer's local publicity when the dealer mentions in his local newspapers the nationally advertised lines he carries exclusively.

It is evident that a manufacturer can employ expert illustrators and the best copy writers, and supply the dealer with a complete retail advertising service, plates or matrices ready for use in local newspapers, at a cost which would be prohibitive to the dealer. Booklets, window displays, and sales ideas are furnished him at the minimum expense. The local dealer can draw upon the manufacturer for the best advertising and merchandising talent.

Manufacturers That Fail to Give Proper Selling Assistance to Retailers

Unfortunately the exclusive dealer plan has been abused. Therefore many retailers hesitate to back an exclusive line with their own prestige and hard work. They are right in this stand, for some manufacturers have used national advertising as a bluff, pure and simple, to load dealers with their goods, and then fail to give them the right kind of advertising help. This condition is particularly to be regretted, because it takes so little money to cover the United States in national mediums and so much can be done if the manufacturer acts in good faith and advertises to arouse the interest of the consumer.

There are a number of national appropriations aggregating less than $100,000 a year which include

the use of national mediums and collateral advertising helps for the dealer.

Local Advertising by Dealers to Connect Up with National Advertising

This is only one dollar per thousand population, but it makes a wonderful showing in carefully selected publications of general circulation. Dealers whose trade territory comprises 25,000 people find it profitable to spend from $25 to $50 annually on local newspapers, to connect up with this national advertising as it is the most influential kind of *local advertising* in their trade territory.

If the national advertiser furnishes definite sale suggestions, the dealer will often spend more. As most dealers are committed to a certain amount of local advertising in any case, and since the exclusive sale of a high-class product is a trade-builder and is as profitable as anything they handle, it can be said truthfully that local advertising which coöperates with national advertising more than doubles its own value.

Drawing Inquiries Through National Advertising to Refer to Local Dealers

It is possible (it is being done every day) for national manufacturers to word advertisements in mediums of general circulation so that they will bring direct mail replies. These letters are the dealer's best weapon of defence against mail-order competition. They also locate people who may be trading with his competitors, and give him an excuse for paying them particular attention, so that he can get them into his store and demonstrate the superiority of his service as a whole.

Luckily there are scattered throughout the United States dealers who are as good judges of national advertising campaigns as they are of merchandise. And the manufacturer who makes superior goods and supplements this work with a national advertising campaign which reflects the sincerity and honesty that goes into his merchandise will get the coöperation of intelligent dealers the minute his salesmen show them his national and local advertising plans.

Selling to One Dealer Appeals Particularly to Manufacturers of High-grade Merchandise

Selling goods to one dealer in a community appeals particularly to the manufacturer of high-grade merchandise. There are 559,000 families in the United States having incomes of $6,000 a year or more. Their trade is worth while. The progressive dealer makes a bid for it by having the exclusive sale of high-grade, nationally advertised goods which give him prestige and hold the trade of the wealthier families whose community pride makes them buy goods at home if the local dealer can give them the best quality.

The exclusive dealer plan has been tried out by manufacturers of automobiles, pianos, fine silverware, paints, furniture, kitchen cabinets, stoves, candies, and shoes. Even in a small town one can pick out, by noting window displays and the contents of the shelves, the dealer who caters to the high-class magazine reading group of the community.

The better magazines now refuse to carry the advertising of a manufacturer who seeks the coöpera-

tion of local dealers, unless his national campaign is adequate and accurate, safe and conservative. This censorship is winning the confidence of better class dealers throughout the country, and gives manufacturers who have not yet taken up national advertising assurance of success when they do.

How the Magazines Are Protecting the Dealer by Censoring the Advertising of the Manufacturer

The only basis for successful exclusive dealer distribution is coöperation between a high-class manufacturer and a high-class retailer, each doing to the best of his ability that which he is best fitted to perform.

Advertising, which is the cementing factor of this relationship, often gets results much greater than the financial outlay would seem to warrant. It appears to develop power in the same way a lever does. It brings out the latent force of both manufacturer and retailer as nothing else can.

Certainly the retailer who has a choice between a fine line of goods from a manufacturer who does no general advertising and one equally good backed by a broad and skilfully executed plan of general advertising will not hesitate. But the man who makes a superior product and supplements his service to the consumer by national advertising and sales-building coöperation with dealers cannot afford to identify himself with a second-rate dealer, or to give the sale of his line to one who will not coöperate with him earnestly, vigorously, and honestly.

The Advertising Manufacturer Gets the Preference with Live Dealers

It is noteworthy that people who read general magazines and do not find the goods advertised at any local dealer's are inclined to consider it a reflection upon the dealer rather than upon the manufacturer.

Failure to Handle Advertised Goods a Reflection on the Dealer

Producers who advertise nationally should remain unrepresented in a community rather than allow an incompetent or unsympathetic local representative to weaken their prestige and lower the standard of service which they have established.

A coöperative arrangement is impossible if either manufacturer or retailer is doing business on a price basis. Unless service to the consumer, which is nothing less than permanent satisfaction, is the goal of both manufacturer and dealer, this form of merchandising must fail.

It is not altogether necessary that the manufacturer use national mediums. For certain territories he may use publications which cover them in a broad general way. For several years a certain manufacturer selling almost exclusively to dealers located within the State of Iowa has used three agricultural papers which cover Iowa. Daily papers published at wholesale markets are as competent as national magazines to reach influential consumers and get the coöperation of local dealers within the territory which they cover.

Advertising in Restricted Territories

There are manufacturers who do no general advertising, but furnish the dealer with electrotypes, booklets, mailing cards, form letters, posters, hangers, win-

dow displays, motion-picture slides, premiums, and novelties. A tailor-to-the-trade establishment which had built up a large business in this way spent about $100,000 for devices of this kind and put on a campaign in five national magazines, including a double-spread in the *Saturday Evening Post*, without increasing their total annual advertising expenditure. Mailing cards and form letters were largely replaced by national magazine publicity because it sells both consumer and dealer. The net result was more consumer effect for the same money than they had ever had, and therefore more dealer coöperation.

Advertising Service Furnished Dealers Includes a Variety of Different Kinds

REFERENCES ON CHAPTER XV

The campaigns of national advertisers who distribute through exclusive dealers are the best material for the student. Manufacturers who use this method of distribution and dealers who coöperate with them will undoubtedly furnish information in detail to all who are entitled to it.

Each campaign is individual and distinct, and has solved its various problems in its own way.

To copy the campaign of another would defeat your purpose.

The creators of new ideas and new ways of dressing up the old story make very good money.

CHAPTER XVI

TRADEMARKS

WE WANT to consider, first, what the trademark is worth to the consumer.

I can think of no real reason why the consumer should prefer goods which do not bear a trademark. He sometimes has a notion that they cost less than goods of equal merit which are sold under a trademark. But that wrong notion has been bred by a certain wasteful kind of advertising effort which aimed to develop a bargain-seeking class of buyers.

Merchandise without a trademark lacks backing. People who buy cheap things, or because they are so-called bargains, are surely wasting their substance. The purchaser of a bargain assumes all responsibility as to the quality of the merchandise. So many of us are willing to do this because we do not realize how little our judgment of value is worth.

What Is Our Amateur Judgment Worth

Most of us are qualified to judge of the value of only the few lines of merchandise with which we have had much experience. The highest salaried men in large mercantile establishments are the buyers, but not until they have had years of selling experience are they entrusted with the responsibility of selecting from the

mass of mixed qualities that which is worthy. Much of the talk about the high cost of living is fathered by the flimsy, useless bargain which pleases for the moment but does not contribute at all to the comfort and satisfaction of the home. But the present-day consumer is beginning to demand utility in merchandise.

Coöperation Between Manufacturer and Dealer a Benefit to Consumer

Some retailers who will not handle goods bearing the manufacturer's trademark are sincere in this stand. They feel the responsibility of giving to the merchandise they sell the authority of their own endorsement. This seems to me one of the most encouraging features of modern business. It means that when the best retailers and the best manufacturers are both animated by a high sense of responsibility to the consumer, a degree of intimate coöperation will be possible which the merchandising world has not yet known. And the consumer will benefit thereby.

It has not yet occurred to most of us that a trademark adds to the value of merchandise in our eyes. Persons who have declared that such was not the case have in the next breath admitted that the piano which they own would not be so valuable, even if they knew it to be the very same instrument, were the gold leaf which reproduces the trademark removed therefrom.

The trademark fixes responsibility. The manufacturer knows he must make good on the standard

which he has established for his product, and the consumer actually enjoys more and derives a greater satisfaction from an article the fine points of which he has been educated to appreciate, an article from which he has been taught to extract the largest amount of usefulness.

Trademarked goods, intelligently advertised, yield the manufacturer a larger return for his labor, and cost the consumer less money.

Greater Profit to Producer, Lower Cost to Consumer

The maker of a competitive line of merchandise must base his selling price on the cost of manufacture and distribution. This price is unstable. Its fluctuations depend upon the aggressiveness or lack of intelligence of his competitors. Under such circumstances, he cannot institute or maintain the economies which are possible when he can count on a stable price, no matter what his competitors may or may not do.

Given a profit of 25 per cent. on the selling price, grocers are glad to push goods sold under a well-advertised trademark. On unadvertised lines they demand from $33\frac{1}{3}$ to 100 per cent. The difference represents the cost of advertising to the manufacturer and leaves him an additional profit besides. Yet the article costs the consumer no more. Why? Because of the elimination of waste in gathering the raw materials, in the processes of manufacture, and in the distribution of the finished product.

The advantages to the manufacturer of putting a trademark on his goods are so obvious that I can

think of no reason for his failing to do so except that he wishes to escape responsibility for them. By putting them out under a trade name he recognizes the principle that his own individuality is the basis upon which he must build the largest possible influence with his fellowmen.

Advertising a trademark and marketing goods under it give them stability. Stability means economy.

The Trademark Means Stability

It is not a physical or material quality, but a state of mind which is the result of satisfaction.

I have said that the trademark on merchandise invests it with added value in the purchaser's mind; because we associate trademarks with the creation and maintenance of quality standards.

But the worth of the trademark to the manufacturer lies in the fact that it serves as an anchor for all creative sales work which he has put out in behalf of that product. A trademark is the tangible thing that enables the manufacturer to tie to each piece of merchandise that he makes or handles the prestige and confidence which his ability and integrity have won for him in the buyer's mind.

Mr. Edward S. Rogers, a prominent trademark lawyer of Chicago, states that the right to a trademark

Do Not Hide Your Trademark Under a Bushel

does not depend upon invention, discovery, or registration; but upon priority of adoption and use upon goods, and upon *continuous occupation of the market* with goods bearing this mark.

This statement is interesting in that it implies an obligation on the part of the owner of a trademark to be aggressive in salesmanship, to dominate the market. He dare not assume that his trademark once established he can rest on his oars. If he pushes his product constantly, he may be able, later on, to reduce the price to the consumer. The resultant increase in volume would at least maintain the same net returns, if it did not actually increase his profits. The Ford Motor Company is a notable instance.

Backing Up the Trademark with Advertising

The manufacturer who does not advertise cannot take business from the one who does. He may get some business, temporarily, by price-cutting to distributors who will, for a larger margin, attempt to deliver to him business that has been created by the producer who advertises. But manufacturers and dealers who do this can never succeed, save in the sense that piracy and highway robbery succeed. When business reaches a state where one man can acquire the property of another without adequate compensation, and keep it, commerce will have sunk to a low level. Fortunately proof is abundant that the merchant or manufacturer who possesses a franchise in the form of the good-will of the general public is stronger than any of the powers of pillage or thievery.

Dealers and consumers have been educated to believe that a lower price is a confession of inferiority, and that the cost of the trademark (apparently paid by the consumer) is so little that its elimination by

the non-advertising manufacturer gives him no practical advantage in the market. The consumer is not benefited by the extra sales cost or the inferior quality of unadvertised lines.

The Stronger the Competition, the Greater the Benefit to the Trade-marked Product

If, however, a man takes up a line of business which has been established by a manufacturer using a trademark, and competes with him intelligently, by advertising and straightforward sales work, the competition is a distinct benefit to the original manufacturer, the dealer, and the consumer.

The manufacturer who lets his competitors make his prices loses his sense of responsibility to his customers, and puts a premium on mediocrity, slovenliness, and carelessness.

The Legal Aspect

Legally the trademark must indicate with certainty the commercial origin of the article to which it is affixed. The device or symbol has no value apart from the business itself. The courts have ruled that a trademark cannot be separated, for a price, from the business of which it is the visible sign.

It is not necessary to register a trademark, but it is always advisable.

In many foreign countries registration of the trade name gives the right of ownership to the one making the first registry. In the United States it is merely presumptive evidence. Title to the business and the right to use the trademark depend entirely upon priority of use.

The law of unfair competition has been the most valuable protection that users of trade names have had. It says that no one has the right to represent his goods to be the goods of another.

The best trademark is an arbitrary or coined word which has no descriptive quality in connection with the goods to be sold thereunder. It should be of such character that it can mean one thing and nothing else, both legally and practically. It is quite easy to invent a word which is easily pronounced but does not appear in the dictionary with a meaning which belongs altogether to the goods on which it is placed. It is wiser not to advertise anything like "Michigan" celery, or "Minnesota" flour, as these are generic, descriptive terms and could be adopted by any one who wants to enter the same field.

Before deciding upon a trademark it is best to get expert legal assistance. There are many names in which no exclusive right can be secured because they are descriptive, or are otherwise legally objectionable, or cannot be protected because they have been preempted.

Several large advertising campaigns have been held up, after they have been launched, because it was discovered that some obscure manufacturer doing a small local business had prior right to the use of the name which had been selected for a trademark.

One of the most valuable elements of the service of a national advertising organization is its ability to devise effective trademarks. Years of experience

with trademarks have taught them where the shoals are which threaten the manufacturer who contemplates adopting a trade name and marketing his wares under it.

REFERENCES ON CHAPTER XVI

For additional reading on trademarks, I refer the student to the following treatises:

"Sebastian on Trade Marks," "Paul on Trade Marks," "Hopkins on Trade Marks," and "Nins' Unfair Business Competition."

"Good Will, Trade Marks, and Unfair Trading," by Edward S. Rogers (A. W. Shaw Company, 1914, Chicago), is a most interesting and exhaustive presentation of the whole subject.

"Trademarks and Their Advertising," 1913, by Charles G. Phillips, president of the *Dry Goods Economist*, 231 West Thirty-ninth Street, New York City, is a two-thousand word monograph crystallizing the experience and convictions of one of our foremost trade-paper publishers. Mr. Phillips will send a copy to any reader of this book who requests it.

CHAPTER XVII

PRESTIGE-BUILDING ADVERTISING

EXPERT salesmen agree that their work must be authoritative, i. e., it must lead the buyer to accept *their* judgment as to what he had better buy, instead of following his own bent. A capable salesman knows more about the goods he sells than any buyer can possibly know. Of course he must also be able to produce in the buyer that mental attitude which will afford him the greatest possible utility and satisfaction in his purchase.

The Salesman's Part in Establishing Prestige

I have said before that the salesman who wishes to establish his position as an authority on his particular line must not let his aim be too apparent, lest the buyer resent it. His prestige must be an outgrowth of the buyer's satisfaction with the goods which he is accustomed to purchase on his recommendations. The most satisfactory customers are those who *think they buy*, not those who know they have been sold.

Prestige is that quality which causes others to accept one's statements without question. It is the crystallization of earnest, faithful work on the part of

the producer of the goods in realizing the best quality for a given purpose and then impressing upon the mind of the purchaser all the possibilities of usefulness which the merchandise will possess for him when it passes into his hands.

Prestige —the Impression of Quality Without Question

Advertising builds prestige for the manufacturer and good-will for all his products. Prestige is not inherent in an article, but is what people say about it, and to whom they say it.

The prestige of the political leader is gained by confidently affirming and by continually emphasizing to the group which looks to him as its leader that he possesses certain qualities. He may have them in common with many other persons, but the group does not realize that, because he is advertised, and the others are not.

Constant Reiteration Gains Prestige

Politicians know very well that what is said about them and the manner of saying it measurably affect the amount of influence they have with their camp followers. Both praise and condemnation may add to prestige; but no man can be laughed at and hold a loyal following.

We are respected as much for the enemies we make as for our friends. No one who needs the support of the public dare neglect the manner in which the story of his achievements, his movements, his opinions, and his ideas on certain subjects is to be told to those whose approbation he would win.

Prestige Depends as Much on the Manner as on the Matter of Your Story

In many instances public service corporations

that are giving real service are unpopular because their officials have overlooked the fact that prestige can be gained by telling a story scientifically, i. e., an interesting and informative story which will, at the same time, create that apparently intangible but none the less real factor which is called "favorable public opinion."

The Price of Silence

So often we have misunderstood the motives of public men who were discharging their duties faithfully. We have regarded their refusal to talk about their work as proof that they were dishonest. Such a situation has usually been due to their misconception of what is true publicity.

Many who were severely criticised while they lived have a high place in history, because the publicity given them by the historian has accomplished *after* death what a well-trained advertising man could have done when it would have been worth while.

A Pointed Instance

Those who knew intimately and came into personal contact with Mr. Taft while he was President of the United States were sure of his sincerity and his keen appreciation of his responsibilities.

Mr. Taft is not our President now because he did not understand that it is not so much what one does as it is *what is said about what one does* that adds to or takes from prestige.

Some day some writer of history will find, perhaps in Mr. Taft's personal correspondence, or in the private papers of men who were close to him, proof

that he possessed qualities that would have gained abundant prestige for him during his term of office had we all been told about them in a simple, straightforward, understandable way. Such a prestige might have been produced, I believe, that Mr. Roosevelt would not have risked opposing him.

By neglecting to control the manner in which the story of his work was told, Mr. Taft deprived himself of the prestige to which his work judged alone gave him clear title.

Old Masters Made New —by the Master Hand of Publicity

Much of the present-day prestige of the distinguished men of the past they owe to the men who recounted the tale of their deeds. Many of the master artists of all time have lived and died poverty-stricken, because no contemporaneous historian interpreted their work so that their fellowmen could understand and appreciate it. Nor would most of us value these masterpieces to-day did not art dealers and collectors, by one means or another, constantly keep up our interest in them and direct our attention to points of excellence which must otherwise have escaped us altogether.

The Prestige-building Story and the Telling of It.

The man who is to profit by whatever prestige may legitimately attach to his achievements needs some one to tell his story for him. Unless indeed he chance to be one of those few fortunate men who are able both to do and to get the rest of us to appreciate what they do.

It might be remarked in passing that the man or

woman who knows how to teach the many to value his or her talent often gets a larger share of honor and glory than the public thinks is due. It is just at this point that most of us fail to reason accurately.

Publicity Without Prestige

Doctor Cook had ample publicity; but it won no prestige for him, because he gave us something which fell far short of what his publicity had led us to expect of him. Each year new names and faces appear above the horizon which separates the "unheard of" from those who have "arrived"—and disappear; because they could not "make good" on their publicity, or sustain the prestige which it would have created for them. There can be no permanent prestige unless the story fits the facts.

Masters of Prestige-building

Many will contend that there are more far-seeing statesmen than Theodore Roosevelt, that there are actresses whose work is truer than Sarah Bernhardt's has been, that Mary Garden cannot sing; but the fact is that large groups of people *believe* in each of them, and evidence that belief by continuing to give them their support. That is proof absolute that they "make good" on their publicity.

It is only when the publicity has overstated or has been more liberally interpreted than it should have been that a sense of disappointment has resulted in connection with any one of those geniuses who possess so bountifully the knack of telling the story of what they do in just the way which insures them maximum public appreciation.

The reflex of using a trademark is to create a sense of responsibility which forces the manufacturer to maintain a high quality standard. The same thing is true of publicity. The manufacturer who advertises that his goods will represent a certain well-defined standard has practically discounted his note of hand with the public. He *has* to make good.

The Penalty—"Make Good"

Sometimes a manufacturer takes up general advertising because he thinks he will make more money that way, and for that reason only. As soon as he realizes that the advertising has committed him to maintaining a certain standard with the public, he bestirs himself to improve his inside organization. Better merchandise is the result. The consumer gets the benefit.

Advertising Makes the Goods Live Up to the Prestige Gained

Other manufacturers have decided, after investigating the power of general publicity, to improve the quality of their merchandise before undertaking a general campaign.

I know a man who considered the pros and cons a long while before he made up his mind to advertise. He knew that if he started it, he would have to keep up the quality, no matter what the raw materials cost. And he was afraid he might not be able to increase the price to cover such a rise. That man is a national advertiser now. He found out that the confidence of the public (which advertising gets for him) is the best means of adjusting prices to the market conditions of raw materials.

Some years ago another manufacturer had to face a decided rise in the price of his raw material. His salesmen gave him to understand they could not sell goods at the price necessary to cover this advance if the quality was not to be changed. He was tempted to use an inferior raw material, or to cancel his advertising for the year.

Where a Rise in Price Built Prestige

Instead, he went to the consumer and the dealer and explained that in order to keep up his quality he was obliged to increase the price. By inference he created the impression that competitors who did not do likewise must be using a poorer quality of raw material. This publicity strengthened the bonds of confidence between his brand and dealers and consumers; he increased his advertising appropriation, and the net result was the best year he ever had.

In planning a campaign, the advertiser should remember that it can build for him, if he cooperates with it, a prestige which will give him the balance of power when buyers hesitate, because everything else is equal.

Advertising Brings the Deciding Vote

Certainly an advertiser who shows by his manner of conducting his business that he values the quality of its prestige, more readily gets the cooperation of publishers who believe that admission to their columns bestows upon the advertiser the prestige which the publication has with its readers.

An advertiser who wins *first* the confidence and

support of the leaders of the group to which he wishes to sell is wise. He is realizing on *their* prestige, which, it will readily be admitted, is a force quite separate from the inherent value of the merchandise he offers or the salesmanship he uses in presenting it.

Building Prestige on Prestige

Advertising mediums confer prestige upon the advertiser who uses them in exact proportion to the reader's confidence in the advertisement pages as a whole.

The advertising of one firm has more prestige than that of another for exactly the same reason.

Prestige rests upon confidence, and confidence is publicity, the foundation of which is satisfaction. The creation of prestige should be the aim of every advertiser. It means conservation of power and elimination of waste.

There is a certain kind of salesmanship which finds a market among those who positively enjoy possessing things which their less fortunate neighbors have not the means to buy. Dealers in antiques, small exclusive shops that are supposed to be patronized only by the socially elect, freak restaurants and summer and winter resorts often get business by an appeal to snobbishness.

Prestige Is Substantial —Not Built upon Snobbishness

This might be mistaken for prestige-building. It is not. Fashions, fads, and fancies come and go constantly. The man who elects to make a living by catering to them leads a precarious existence.

Of course there are many people who need not consider the cost of gratifying a desire. They are willing to pay for the pleasure of dealing with persons of refinement and culture. They are willing to pay for *knowing* they are not going to be thrown in contact with objectionable persons. They are willing to pay for their confidence in the merchandise they buy, although they may not be conscious that they are paying so much for merchandise and so much for confidence.

The Price of Confidence

The practice of institutions which have been established by the use of prestige-building salesmanship and advertising is to reduce their prices to a point where no customer need pay more than he would elsewhere for the same service. Then the prestige of the business, which undoubtedly is an element of the purchaser's satisfaction, is service plus.

No business is safe which charges more, simply because its customers will pay more. Prestige is business life insurance.

A House of Cards

The patrons of certain dealers in musical instruments, jewelry, and art objects, and of certain tailoring and dressmaking establishments insist they get full value for every dollar they spend, quite apart from the question of the prestige of the house from which they are buying. Competitors have their groups of customers who are equally sure that they get full value *in the merchandise* of stores which sell lower-priced lines.

When does a customer pay for prestige and when

does he get it as an additional satisfaction? It is the old story, "How can you tell the difference between a mushroom and a toadstool?"

A business is decidedly in danger when customers who have unlimited means leave it for competitors whose prices are lower.

A waiting-list would seem to be the only positive insurance which a business that depends altogether upon prestige may have.

As Omar Says: "A Hair Perhaps Divides the False and True"

The dividing line between the house which charges for prestige and the house which gives full value in service cannot be determined by consulting the customers of either or both houses, for there will be radical differences of opinion.

When a lawyer has more possible clients than he can take care of, when a physician's reception-room is crowded with people waiting their turn, when motor cars have to be ordered several months in advance, it may be assumed that the high price is justified by the service.

But that business is doomed whose customers, having ample means to pay the highest prices, go elsewhere believing they are getting the same value for less money. And the management usually wakes up too late to reëstablish the business on a sound service basis.

REFERENCES ON CHAPTER XVII

Lord Rosebery's "Napoleon, the Last Phase," 1900 (Harper & Brothers, New York), detailing Napoleon's life after he reached St. Helena.

"The Greatness and Decline of Rome," 1907–1909 (W. Heinemann, London), by Guglielmo Ferrero.

William Hickling Prescott's "The Conquest of Mexico," 1909 (E. P. Dutton & Company, New York).

These books are as fascinating as modern fiction: they tell of men who believed in and attempted to create prestige for themselves. They trace clearly the effect of ideas dominating the group consciousness in the history of nations. They show how real leaders of men have always striven to sway the minds and especially the emotions of the people whose confidence gave them their power. They show clearly the difficulty of the historian in separating fiction and fact, because leaders of people have always been more concerned as to how the story of what they were doing was told the people than in the story itself.

CHAPTER XVIII

COÖPERATION BETWEEN SALESMEN AND ADVERTISING—SALESMAN, THE CLOSER—ADVERTISING, THE MISSIONARY

ADVERTISING becomes a significant element of salesmanship when the salesman perceives its power to implant the buying impulse in the minds of prospective customers. Then he can devote to closing sales the time and energy he had been putting into stimulating them. A worth-while salesman's time is valuable, and should not be frittered away on work that could be done by advertising. A salesman should be a closer, not a missionary.

Advertising serves the salesman by putting the dealer in the most favorable mental attitude before he calls. The dealer soon discovers that advertising serves him, too, by continually creating in his customers the impulse to buy.

Creating the Buying Impulse

It follows that advertising cannot be completely competent unless it has the salesman's confident cooperation.

The most successful salesman uses advertising in selling goods, just as the factory superintendent uses modern machinery in manufacturing goods.

It may seem strange, therefore, that it should ever

be difficult to get a salesman to coöperate with the advertising of the institution which he represents.

Team Work

Salesmen really sell ideas. The sale takes place in the buyer's mind when he lets the salesman's idea supplant his own.

Salesmen are human beings and must themselves *be sold on new ideas* to replace the old ones. So for the past ten years my work has been largely selling to salesmen who were already doing a good business the idea of coöperation with advertising.

First, it is necessary to convince the salesman that by coöperating with the advertising he can so largely increase his sales that his net personal income will be larger, although computed on a smaller percentage of direct return to him on the amount of his sales.

Increased Income for the Salesman

Advertising is right only when it serves the consumer. Personal salesmanship can be permanent only when it survives the same test. No manufacturing institution or retail store can advertise and pay its salesmen the same rate per dollar of actual sales without increasing the burden to the consumer. If the salesman is putting in full time and concentrating on his work, it is comparatively easy to convince him that more competent tools mean larger aggregate sales. He cannot make advertising *count* for him until he understands what it really is, and what are the purposes of the campaign of which his work is a part.

Service to the Consumer —the Stability Test of Both Advertising and Salesmanship

The Salesman with a Medieval Mind

The salesman who scorns the assistance of advertising, if he is to be consistent, should refuse to use the mails, the telegraph, and the telephone. Because the cost of these three agencies, which multiply so many times the possible number of buyers within his territory, must be charged to the selling appropriation.

Reducing the Selling Cost

There are 92,919 commercial travelers in the United States, and 611,139 retail salesmen. Most of these 704,058 men and women are distributing merchandise to the consumer more economically than he could be served by any other means. There are also 317,811 agents and peddlers. It may safely be said that no agent or peddler delivers goods to the consumer at less than double the price he has paid for them. No advertised line that I know of, sold through a local dealer, bears anything like such a selling cost.

Utilizing the Modern Machinery of Selling

The commercial traveler and the retail salesman must decide whether they will be peddlers and do practically all the work of selling, or whether they will be salesmen in the true sense of the word, coöperating with all those forces which mean volume of business and are most economical and serviceable to the consumer.

Advertising and Selling Cost No More than Salesmanship Alone

I have often said that the first manufacturer of a competitive line who advertises can market his product by means of advertising and the best type of salesmanship, pay his salesmen better salaries than his competitors can afford

to pay their men, and keep his total appropriation for *advertising and salesmanship* within the figure which previously had been sufficient for personal salesmanship only.

This statement has been proved to be true for many lines, notably ready-made clothing. The clothing manufacturer did not advertise to the consumer at all twenty years ago. The best houses pay their salesmen 3 to 4 per cent. on their total sales. The advertising appropriation is generally less than this. It would not pay a salesman who handles a well-advertised line at 3 per cent. to exchange it for an unadvertised line at 10 per cent. With advertising, his volume of sales goes up immediately, and the conditions of work are more pleasant.

The Salesman Works on a Bigger Scale

Salesmen for a certain manufacturer which advertises nationally to the consumer but distributes through the local dealer stop at the best hotels wherever they go, carry a packer whose salary and expenses must come out of their sales, and arrange in advance for customers within a radius of eighty miles to call on them on specific days, allotting two hours a day to each customer. They get these customers together in the evening for a conference and general coöperative discussion of trade-building plans in which all are interested. Under the old régime, the salesmen had to pack and unpack their sample trunks, and could not cover nearly so large a territory. Result: their total sales were much less.

A commercial traveler who understands thoroughly that his salary and expenses must come out of the goods he sells will take advantage of every force which will help him get the same result at less cost to the dealer and consequently to the consumer. He *knows* (at least he can know if he investigates) that intelligent advertising does work that he must otherwise perform—and does it at less cost. A retail salesman ought to be glad to push advertised lines, for by so doing he is rendering the consumer the largest amount of service, and making himself more nearly indispensable.

Advertising as Insurance Against the Future

There are to-day a number of large mercantile establishments which must adopt another method of dealing with their salesmen, or—have no chance at all twenty years from now. Unless they soon perceive that scientific advertising saves money, young merchants who do are going to crowd them out.

Let the Wholesale Salesman Coöperate with the Advertising of Branded Staples to Set Higher Standards for the Retailer

There are wholesale grocers who permit their salesmen to quote cut prices on staples, and then measure their value to the house by the amount of merchandise they have sold on which exorbitant profits have been made. This practice fosters a merchandising condition which is just about as bad as it could be. The retail grocer ought to respect the wholesaler's salesman; he ought to realize that this man can be an immense help to him in building a business. The grocer should be sold on coöperation, and taught how to explain to his trade

that his service is *worth* the difference between the cost and the retail price of his wares. The handling of advertised staples by retailers fosters such a relation; but the salesman or jobber who confuses the retailer and destroys his conception of values is a force that pulls in the opposite direction and is demoralizing.

It Is the Salesman's Job to Educate His Trade to Coöperate

The commercial traveler who represents an advertised line and the retail salesman who talks to the consumer across the counter have a chance to study the buyer at close range and to adapt their merchandise to his desires and needs. Of the two the commercial traveler should have the broader outlook. He should be able to talk not only to the merchant but to his clerks, *from their own standpoint*, which is that of the man who purchases goods to sell again. He must also convince them from the standpoint of the consumer.

In Chapter IV I have outlined the advantages to the individual of being a member of various groups. There is also this: that the leaders of the various groups to which you belong, by reason of the obligations of their office, relieve you of various duties, and much planning and organizing.

Just here I want to point out that the man who coöperates is constantly educating within himself the highest type of individuality. We all know the man who, as a youngster, went into a large business house and did willingly and cheerfully everything he was

asked to do; until it became a matter of habit to give him the first opportunity to handle whatever new responsibilities arose as the business grew. This type of man rises to the head of an institution as inevitably as cream comes to the top of milk. His ability to assume and make good on the varied tasks entrusted to him gives him a broad grasp of the business as a whole and develops individual competency and the sense of power which is the product of responsibility.

Responsibility—Coöperation

The word responsible really means "ability to respond," which is about as true a definition of "coöperation" as could be framed. The person who cultivates the ability to respond is constantly exercising those qualities which characterize the best type of manhood. I would qualify this statement only thus far—that such a man must test what he does by this one query: "Does the business I am engaged in and the work I am doing in connection with it give the consumer the best service which he or she can possibly obtain?"

Advertising flourishes where coöperation is understood and practised. A baseball team will have better catchers, more wonderful pitchers, more remarkable basemen and fielders if each member of the team positively desires each one of his fellow players to perform brilliantly, to excel.

The reflex upon the man who practises coöperation makes him a better man; it enlarges his individual

powers. It instils in the minds of his associates the idea of reciprocity, thus assuring him of their support when he needs it. Coöperation reduces the cost of production. By elevating the standard set for all—because that standard constantly embodies the best thought of each individual member of the organization—coöperation improves the quality of the joint product of all the members of that organization.

You Are Bound to Get More Than You Give, No Matter How Much You Give

REFERENCES ON CHAPTER XVIII

The idea which underlies scientific management is intelligent and confident coöperation. Salesmen will enjoy Frederick Winslow Taylor's "Principles of Scientific Management," 1911 (Harper & Brothers, New York City), and Harrington Emerson's "The Twelve Principles of Efficiency," 1912 (the *Engineering Magazine*, New York City).

CHAPTER XIX

PRICE MAINTENANCE

WE CAN best approach a consideration of price maintenance by reviewing the following points:

(1) The one-price system builds business for the retailer. It serves the buyer best, by saving time which he must otherwise spend in bargaining. It conserves the selling energy of the salesmen who must concentrate on demonstrating the specific value to the consumer of the goods offered for sale.

(2) Mail-order business is possible only because prices can be *fixed* and vast editions of catalogues printed and extensively circulated. Consider the confusion, loss of time, and congestion which would be inevitable were any time devoted to writing letters to ask for prices or to haggle over charges!

(3) The exclusive dealer, or the agent of the manufacturer, likes the one-price plan because it insures him a profit. In fact, this price argument is the basis of the abuse of the exclusive dealer idea. Many manufacturers put in time selling the dealer which could be spent more profitably upon the consumer. Many retailers load up with exclusive lines; whereas

a keener appreciation of the value of *service in the distribution of staples* would have been more valuable to the consumer, and, therefore, more profitable to the dealer.

The Field of Tremendous Accomplishment

Producing a staple and advertising and distributing it through every possible channel is the biggest thing a manufacturer can do. It calls for more kinds of ability than any other kind of commercial effort. It is no task for the quitter, the faint-hearted, or the "piker." The results it gets are princely in scope and splendor.

Getting the "Jump"

Given an article of merit and a fair price (which means a margin of profit for all who assist in getting the maximum distribution for it), an adequate national advertising campaign will so entrench one manufacturer's position that a competitor who makes equally worthy merchandise must spend many times as much for advertising in order even to divide the field with him.

Price cutting by retailers must be fought on the theory that the manufacturer who creates and controls the market for his own goods can best serve the consumer.

Retailers who make leaders of advertised goods by cutting the price will eventually substitute to the detriment of both manufacturer and consumer.

Unfortunately, the Supreme Court of the United States has been ruling against the manufacturer who wants to put a fixed reselling price on his merchandise. Some lawyers believe that the fact that a man

can control the use of his name and can prevent others from selling goods which purport to be his will eventually find legal expression in a decision which will give owners of trademarks the right to determine the price the consumer shall pay for goods bearing that trade name. Present rulings proceed upon the assumption that the man who buys and pays for an article owns it absolutely and can give it away or sell it for any price he sees fit to place upon it.

The Supreme Court and the Fixed Price

There are two ways of handling price-cutting on staple, trademarked products which all manufacturers agree are reasonable:

Two Ways of Maintaining Price—Both Effective

(1) *Moral suasion.* I could cite many instances where a salesman has induced a dealer to give up price-cutting on his product. Each dealer promises to quit if the others will. Dealers are in business for the money there is in it. If price-cutting does not bring trade which buys other goods at a profit, the dealer soon throws out the article he has been cutting and substitutes a competitive article. The manufacturer who created and developed the market loses; and the consumer loses.

(2) *By refusing to sell to price-cutters.* It is illegal to *agree not to sell*, but a manufacturer may refuse to sell to a distributor without giving any reason.

Selecting the Salesman Able to Stop Price-cutting

The advantages of price maintenance are so universally conceded and the evils of price-cutting so generally condemned that salesmen should

be selected with direct regard to their ability to put a stop to the latter in the territory which is assigned them.

When dealers are fully conscious of the power of a trade-building advertising campaign to locate new buyers for advertised staples they will not be so prone to cut on them.

A salesman who comes to the dealer with suggestions, plans, and methods for increasing his business by coöperating with the manufacturer's advertising plans (which means new business for both manufacturer and dealer) can easily convince him of the folly of diverting an established demand, for a little time, by price-cutting.

For each buyer who *knows* the value of a piece of merchandise and would be tempted by a cut price there are *twenty prospectives* who have been almost convinced by the advertising and need only the dealer's invitation to buy and assurance of quality to close the sale at a profit.

Cut Price to One May Destroy Confidence of Many

Cutting the price to these prospectives may "queer" the sale altogether by suggesting inferior quality. What little is gained by enlarging the market among those who are already convinced of the value of the article is more than offset by the loss of confidence among those not yet sold and the certain curtailment of distribution by dealers who will put under the counter goods that are sold at cut prices elsewhere, and only supply them upon positive demand.

Retail merchants' associations know what the effects of price-cutting are. Sometimes retail grocers have met department store price-cutting at the instigation of the secretary of their local organization, who keeps them informed of exactly what is being done. The department store has to make a profit, and will stop cutting when there is nothing to be gained by it.

It is commonly believed that the grocery section of a department store is only a bait to get trade into the store. It is noteworthy, in this connection, that to reach the grocery section one must usually pass through other departments where profitable goods are attractively displayed. Many successful retail grocers meet the situation squarely by selling customers on the value of their service, and by convincing them that a reasonable profit on dependable merchandise is just.

Plus Service vs. Cut Price

Some years ago there was considerable talk about the manufacturer advertising to the consumer, thereby creating a consumer demand which would *force the retailer to handle his goods.* In many instances this policy has apparently worked. Wherever such is the case, there exists an opportunity for a competing product of equal merit to supplant the present leader, *if* the manufacturer will work out a scientific plan of advertising to the consumer, sell to the logical distributors, and give each link of the distributive chain a reasonable profit.

To one dealer who can be coerced by advertising which creates a consumer demand there are twenty who can be convinced that in the "almost persuaded" consumer there is a chance for manufacturer and dealer to coöperate and build business for each other.

Persuasion vs. Coercion

The salesman who calls on the dealer can say truthfully that he is not interested in the sales the dealer is forced to make through advertising. His house is bound ultimately to get the business of the consumer who will seek the store that keeps advertised goods and refuse to trade at the store which does not. This salesman can say that he is not sent out to get the business that is the result of advertising demand, but to get new business by showing the dealer how to make sales which have been started and partially developed by advertising.

The dealer who understands the power of advertising will not be a price-cutter. He will be a conservationist, not a pirate; and will push his business on service lines; for service brings him the good-will and fixed buying habits of satisfied customers.

No advertising and selling campaign of national scope can be considered complete or likely permanently to entrench the product advertised as the leading staple of its class unless the price of the article to the consumer has been fixed justly.

Merchandise of universal distribution should be priced low, for two reasons:

(1) Because the patronage of the masses cannot be expected unless they get maximum value for their money.

(2) While cost does not measure the value of goods to people who have money enough to gratify their desires, a low price does enlarge the market of any product by bringing it within the reach of the largest number of people. It also fortifies the manufacturer against future competition. Persistent advertising supplemented by shrewd, competent salesmanship will *hold* a market once preëmpted.

Confidence vs. Price-cutting

Why? Because good advertising is the cheapest salesmanship; because the skilful advertiser can pay the highest salaries for the best salesmen, and still keep his total selling cost under that of his competitors.

Advertising —the Strongest Ally of Price Maintenance

Goods marketed through all channels of distribution use advertising in the largest way, to benefit the consumer, the advertiser, and all intermediaries in the plan of distribution. Goods become staples and the cost of moving them is diminished to the least figure. They actually pay best every one who touches them. They are sold at a low price, to get the widest market; but bear a sufficient margin to pay all those whose services are needed to give them the adequate distribution. This is the ideal condition.

The lower the price to the ultimate consumer, the less trouble the manufacturer will have with price-cutting, the wider will be his market, and the more

likely he will be to establish himself permanently in it. He must remember, though, that the laborer is worthy of his hire, that stable conditions must be fostered, and that price maintenance is the mother and father of stability.

It cannot be out of place to close this chapter with the statement that a manufacturer who trademarks an article of merit and plans a comprehensive merchandising and selling campaign, the objective point of which is the confidence and convenience of the consumer, creates a staple in every sense of the word.

A well-advertised product towers above its competitors in the public mind, though it may be no more deserving. It has achieved distinction and acquired the consumer's preference. Its maker can *count on* a certain known demand. This insures better quality for the consumer. All this because he and she, the consumers, put their trust in the manufacturer's trademark. Price maintenance is the manufacturer's duty to protect the business he has created.

REFERENCES ON CHAPTER XIX

"Price Maintenance," 1912 (the Commerce Publishing Company, Philadelphia), by Thomas A. Fernley, is the most complete exposition of the idea that has reached me. It contains many specific ideas for trade betterment. But the author betrays a peculiar lack of appreciation of the power of advertising to do away with many of the evils for which he suggests other remedies.

In "Concentration and Control," 1912 (the Macmillan Company, New York City), Charles R. Van Hise, president of the University of Wisconsin, discusses at considerable length the debasing effects of price competition as compared with the splendid results which the other two kinds of competition—namely, quality and service competition—get for us.

On price maintenance, see also: "Price-maintenance Encourages Individual Enterprise," *Collier's Weekly*, July 19, 1913, by Louis D. Brandeis; "Cut-throat Prices," *Harper's Weekly*, November 15, 1913, by Louis D. Brandeis; "Competition and Coöperation," *The Fra*, December, 1913, by Dr. Charles P. Steinmetz.

CHAPTER XX

ADVERTISING OPPORTUNITIES

THE word "opportunity" suggests a human being at once. Imagination is the key of opportunity. To man only is it given the power first to project a mental picture of a possibility, and then to transform it into an actuality.

Progress is thought that has found expression in physical labor. Work without thought will always be menial and have to pay a heavy tribute to supervision. Thought which does not find concrete form in creation makes man a mere dreamer.

The line between success and failure is so thin that a man has to keep two thoughts constantly in mind. One is to know what he can do better than other people. The other is to know how to impress people that are in the market for the kind of ability he possesses that he can and will deliver without friction with other people who are selling their services to the same buyers. He must know what he knows and know how to coöperate in rendering service.

First, let me emphasize the fact that there is nothing mysterious or strange about the business activities which are covered by the word "advertising."

Young men who want to study advertising often come to me for advice. A little questioning makes it plain that they think advertising is a marionette show sort of thing, operated in some strange fashion by wires and hands not seen, and speaking a lingo all its own, a magic formula for making money rapidly—something which can be acquired in much the same way that we learn the multiplication table.

Advertising a Serious Business

The big field of advertising is its application to ordinary everyday business. The business of producing, marketing, and using advertising space does require various kinds of talent and experience. But the big opportunity in advertising lies outside what is commonly known as the advertising business—for the next ten years. *The key to success for the young man* whose sole capital is brains and energy is the application of the principles of advertising to ordinary everyday business.

There are several distinct types of advertising men.

1. The publisher or plant-owner is the man who produces advertising space. It happens that he is rarely the best judge of its value to the advertiser; for he is primarily an organizer and executive. The best publisher is the man who knows best how to get and hold subscribers. The men who own street railway advertising and billposting privileges, painted bulletins and wall space, and electric signs, are concerned largely with leases

The Publisher

and with details incident to building and maintaining a plant.

2. The advertising solicitor who represents the publisher and plant-owner must possess marked sales ability. The advertising solicitor of twenty years ago did not at all resemble the man who does this work to-day. Business men no longer need *to be persuaded* to advertise. Advertising is not on trial now. Each advertising medium has won its own place in economical merchandising. Contract-getters are constantly being replaced by men who know the characteristics of the groups of people reached by the mediums they represent, and who can advise how best to use the space they sell. The ideal representative advises *against* the use of his medium when he knows that the advertiser's story is best suited to another. He seeks for customers those whose business can best be advanced by using his medium. He is after permanent business, and that predicates the possession of satisfied, loyal customer groups.

The Advertising Solicitor

3. The advertising writer's work is to find out the salient points of the merchandise he is expected to sell, and its points of contact with the people whose confidence in the medium makes them accessible to him. The mere writing is simple, once the preliminary study has been completed. The illustrator differs from the writer only that he uses pictures instead of words. Both of them know well that in the interpretation of the advertiser's

The Advertising Writer

message to the group which can most be benefited by it lies the highest expression of the art.

4. The buyer of advertising space must be an analyst and a statistician. A goodly measure of experience and common sense added to this, and ability to read human nature, soon put him in the foreground of the advertising field.

The Buyer of Advertising Space

5. Printers, plate-makers, and typesetters advance beyond the limits of trade lines in direct ratio to their ability to comprehend and interpret the advertiser's message.

Printers, Plate-makers, and Typesetters

Broadly speaking, one of the best openings for the young man who wants to take up advertising is with the publisher. Each one of our 22,141 daily, weekly, monthly, and miscellaneous publications has a permanent place for the man who can increase its revenue and eliminate waste in the distribution of the fruits of intelligently directed labor. To do this he has only to insist that the advertising columns of the paper must be as informative and interesting as the news columns.

Big Advertising Opportunity with the Publisher

Many publishers have added to their personal incomes and made their publications more useful to the readers, and therefore more valuable to the advertisers, by writing copy for them.

It would pay each one of the 790,886 retail dealers of America to study advertising, the laws which govern it, and its methods; and then apply them.

The manufacturer who advertises serves the consumer by keeping in touch with him in gathering data for advertising, and by teaching him how to make the best use of what he buys. Every merchant, every salesman behind the counter, every commercial traveler, every sales manager, should know what is right and what is wrong in advertising. Those who neglect so to equip themselves must not complain when they are supplanted by those who have done so.

Advertising Courses in Universities

It is noteworthy that universities are now offering courses in journalism and advertising, and that there are several correspondence courses in advertising that are well worth the time and money they demand. The only warning I should voice with reference to the study of advertising applies with equal force to all theoretical knowledge. A fact is a theory that has been demonstrated.

All learning is valuable in so far as it trains to think and teaches the principles which control the everyday events of life.

The spirit, not the letter, is the thing. To imitate is servile.

Many an advertising failure is the result of following precedent blindly, of applying the letter of the law instead of its intent, the slavish imitation of the mannerisms and style of the successful. It is the frank, spontaneous expression, allowing the style to take care of itself, which has the appeal.

The quiet, unobtrusive service methods of the present-day salesmanship, as contrasted with the

boisterousness and occasional sharp practice of its forerunner of a quarter of a century ago, is paralleled by the differences between the advertising man of that period and the writer of copy, the illustrator, and the solicitor of to-day, who rely upon a simple, straightforward story to the consumer. An expression which diverts his attention from the main issue —the service he is to receive—is wasteful.

The opportunity in advertising is the opportunity which exists in all merchandising and selling—to eliminate waste, and to install and maintain simple, direct methods which conserve the buyer's time by giving him, with the least effort on his part, a complete understanding of the usefulness he is to have in his purchase.

REFERENCES ON CHAPTER XX

"How to Get a Position and How to Keep It," 1908 (Funk & Wagnalls Company, New York), by S. Roland Hall, will help the beginner market his ability.

"The Message to Garcia," by Elbert Hubbard, must always remain a classic in revealing the kind of man who grasps and makes the most of the opportunities that are in every one's path. Mr. Hubbard's brochure, "Get Out or Get in Line," is typical of his sound business philosophy which he expounds every month in the *Fra* and *Philistine* in a style which can be profitably studied by every advertising writer.

CHAPTER XXI

THE ADVERTISING MANAGER

THE average young man who considers the advertising business as an opportunity for his own future usually thinks that the position of advertising manager is the most desirable one.

Many men think of the advertising manager as sitting in his office and receiving calls from men who have all kinds of space to sell, also from photographers, printers, engravers, artists, dealers in novelties. True, there are many men who bear the title of advertising manager but whose duties go no further than acting as a buffer for the man higher up. And to a certain limit this is worthy work. Many of those men have keen discrimination and judgment in knowing which of the many things that come to their attention every day to take up to the sales manager or head of the house. The position of advertising manager is one not strictly defined in its scope nor standardized. Many men having the title have absolute authority; others have the authority only to investigate and make recommendations; still others are no more than clerks to whom detail work is delegated for checking up.

Advertising Manager Should Be Synonymous with Sales Manager

The advertising manager in the full sense of the word should be synonymous with sales manager. He should be the man who interprets the sales policy of the business, both to the personal salesmen and to those who are reached through the medium of printers' ink. The experience that I have had in the advertising business through more than twenty-five years leads me to say that the advertising manager's job is just about as big as the man who occupies it. Mr. H. M. Swetland, president of the Class Journal Publishing Company, once said to me that he couldn't make a bigger trade paper than the editor that he could get to run it. The same is true of the position of advertising manger. The job is as big as the man who fills it.

Instance after instance could be cited of large business institutions where the men who now direct and control their policies started as advertising managers. Many other instances could be given where men as advertising managers secured their first broad insight into business and grasped the possibilities of the market in its relationship to the group of people that sustain and make the market possible better than the men for whom they were working. As a result they advanced to the highest executive positions in other concerns where those in charge were big enough to appreciate creative ability and grasp of selling opportunities.

It may be truthfully said that a young man, in

developing his business career, passes through four distinct epochs. First, in the days when he is earning enough money to pay for his clothes and board and have something besides, without being dependent in any way upon his parents, comes the consciousness that he can support himself. This is a delightful sensation to any young man and is always to be fondly remembered. It is one of the best foundations upon which an executive builds his career, to be able to say that at a certain age he performed a certain duty for a certain sum and he earned what he got without any pull, preference, or any other consideration than the actual value rendered the house upon whose payroll his name appeared.

The Four Epochs in a Business Career

In the second epoch the young man has advanced to such a position of responsibility that he can be entrusted with work without supervision. He realizes that he is trusted and must act upon his own initiative and on his own judgment. In this second epoch a man realizes that honesty, dependability, and the power to accept responsibility bring him cash dividends in addition to the amount of physical and mental labor that he can put into his task. This is the position occupied by many salesmen out on the road. Unfortunately, for themselves and for the houses they represent, they feel that they have reached the limit of development. This thought in their minds is a handicap both to themselves and to the houses which employ their services.

Second Epoch—Working Without Supervision

The third epoch in a successful man's career might be termed the executive epoch. He realizes that if given assistants to whom he could delegate duties for handling under his supervision he could accomplish more for himself and for his house. The man who does reach this stage is on the sure road to advancement, because there is always somebody ahead of him who is doing work that he can well afford to delegate to take up other work that will insure his own advancement.

Delegating to Subordinates Is Epoch Number Three

The institution which makes every man feel that there is work to be done whose execution is worth more money than he is now getting, and in order to handle this higher grade of work he should delegate all possible duties to men getting less than he is, is bound to develop a growing, successful, united, progressive institution.

The fourth epoch is where a man is able to command the coöperation of men more expert than himself. As the head of a department he greatly increases his power by winning the confidence of other heads who are coördinate with him. As the chief executive of any big business, the man who can get the most help from his lawyer, his banker, and all the experts associated with the other houses from whom his house buys and to whom it sells, is worth more than if he is particularly prolific in original ideas himself. True executive ability is getting things done by others most competent to do them.

Commanding Co-operation of Big Men Is Fourth Epoch

The advertising manager should delegate as much work as possible on the theory that by working with experts he will get work done on the most expert and economical basis. His judgment of where and how things should be done is worth more to the house than his skill in personally doing things himself. In this way he is bound to put himself in a position where he can grow with the house.

Good Judgment More Important Than Handling Details

Fortunate, indeed, is the young man who can get the position of advertising manager in a house whose head is dominated by the ambition to be a controlling factor in the market. Such a man is ready and willing to take on more responsibilities himself, and will freely delegate the work he is doing to men who will take it off his hands.

It is often necessary for a young man in a subordinate position to take work away from the executive by main force, but if he is a dominating factor in his market he will like these methods rather than resent them on the part of the advertising manager. Such an advertising manager, fortified with a simple system of accounting by which he can show at all times that he is taking care of the responsibilities entrusted to him, is bound to advance more rapidly in a large business than a man of similar ability occupying any other position that I know of, unless it is the general sales manager himself.

An advertising manager should keep in touch with general literature of all kinds. He should constantly

watch the development of new ideas. He should take his work very seriously, and develop the broadest possible culture, and at the same time keep in close touch with all of the men who have practical experience in details of the business with which he is connected.

It is the same principle that inspires the head of the largest business to use the best banker, the best physician, the best architect, the best engineer, the best lawyer, the best expert in every line; and it is the man who entrenches himself in modern business in this way that makes his position practically impregnable.

The advertising manager in every institution should be the peer of everybody else in it. To fully perform his function he should, as I have said before, supervise the sales. He should be present in every conference where the policy of the house is under discussion. Advertising can be utilized in so many different directions that there is no question coming before any institution in which the effect of advertising should not be carefully considered.

The Business Should Be an Open Book to the Advertising Manager

An advertising manager, to fully grasp his responsibility, should be one who has passed through the three preliminary epochs of experience and is in the fourth epoch. He should be able to merit and hold the confidence, and secure the intelligent coöperation of the head of the business. He should be able to command the confidence and coöperation of the factory

The Strong Advertising Manager Must Be Mature in Development

superintendent, of all the salesmen on the road, whether they report directly to him or to another man who has coördinate authority in the sales with himself. He should be able to employ and secure the best results from his personal contact with expert printers, advertising writers, publishers, and organized advertising institutions that are equipped to give service.

The Ability to Get Co-operation

It has been well said that a bad workman quarrels with his tools, and nothing more clearly demonstrates the mediocrity of the advertising manager than the statement that he cannot get good service from people with whom he comes in contact. The ability in the advertising manager himself to inspire men with whom he does business to do their best is one of his greatest assets, and the quality in him that will make his efforts count for the most.

Knowing Where to Get the Best the Secret of Success

Advertising in itself is too complex, too broad in scope, too infinite in detail for any one man to master it all. The men who accomplish the most in the position of advertising manager are those who know where the best work can be done and how to secure it for the institution with which they are connected. No advertising manager can get all of the assistance that he needs by sitting in his office and waiting for good things to be brought to him.

There are often cases of men who are able to perform valuable service, but have not yet learned how to sell it in a market where it would be most ap-

preciated. No man ought to be more conscious of this than the advertising manager himself, and he should be most alert to leave his office on a search to find out where the best service that he can use can be secured and developed.

Advice to Advertising Manager in a Concern New to Advertising

If a young man were to accept the position of advertising manager in a concern that had never done any advertising, I would advise him to proceed about as follows:

As is usually the case, he would probably be expected to write copy. The best thing for him to do—and he shouldn't undertake the job at all unless able to write plain, sensible, ordinary, everyday, one syllable English—would be to get saturated with the ideas by which the best salesmen of the house produce permanent business. By permanent business, I mean sales to those customers that give evidence of being satisfied with their dealings with the house through repeat orders and constantly increasing volume of business on the basis of annual sales.

Getting Saturated with Information Essential

The advertising manager when saturated with the qualities of service in which his house excels will embody his knowledge into the copy and letters he writes, intensify the hold that the house has on its present group of customers, and intelligently devise ways and means by which the customer group can be enlarged. Then he should select a printer in whose honesty and integrity he has complete confidence. He should not accept

favors of any kind from this printer. If he goes to lunch with him he should make it a rule either to pay for his own lunch or alternate in paying for lunches.

Get a Good Printer

The temptation to accept little favors from people who are selling is very great, but the advertising manager, who places himself on a basis where he cannot be influenced in any way, or who insists in the name of his own house in reciprocity on matters of this kind, has gone a long way toward insuring his own standard and the securing of the best service from those with whom he deals.

The good printer is a man who knows how to manage his own business successfully, who doesn't estimate on a hit or miss basis, who has an organized, systematic scale of prices, and who figures things fairly and honestly. Such a man is more likely to have time to confer with the young advertising manager, and, being a good business man himself, is more likely to discuss selling problems along sound, fundamental business lines.

The Good Printer Defined

Many instances that I know of could be cited where young advertising managers owe much of their development to having given their confidence to self-respecting, successful printers who had a regular scale of charges for their work, and who, therefore, did their business on a sound, economic, but profitable basis.

Everything said of the printer is true of engraver, paper house, and all others who come in to sell

the advertising manager supplies. The advertising manager should never forget for an instant that he is a trustee of interests that have been placed in his hands, and that he owes it to himself to maintain his self-respect by handling every dollar in a manner which will produce the largest possible return for the house who delegates this responsibility to him.

Getting Competent Assistance from Sellers of Supplies

Many young men do not seem to realize that a high standard of responsibility has its reflex in the development of their own character. It also attracts to them a class of men who can afford to be discriminating in the customers that they select.

A man who buys on a service basis is bound to be cultivated by men who sell on that basis, and there can be no question that intimate, confident coöperation between men who buy and sell on the fundamental principle of giving the best possible service to the concern for which advertising is being developed is bound to place advertising itself on the highest possible plane.

The Necessity of Co-operation Between Buyer and Seller of Service

Much could be said about the observance of orderly, systematic habits, in relationship to one's own personal life as well as his associates in the business.

An advertising manager makes a mistake to allow any man in a responsible position inside his own organization to remain in an indifferent and especially in an antagonistic attitude toward him.

The function of advertising is to create good-will, and an advertising manager can hardly expect to organize and systematize the protection of good-will for his house as a whole unless he can himself master the art of creating good-will inside his own organization.

The Advertising Manager Must Command Good-will in His Organization

The general manager of a large institution told me once that his advertising manager, if he never wrote any copy, nor did anything else except to promote harmony and good fellowship between the many heads of departments, would more than earn the very large salary that he was being paid.

Another thing I would advise every young advertising manager to shoulder would be every bit of responsibility he could find floating around the institution in which he is employed. What a young man wants to do as quickly as he can is to create the impression that if there is work to be done he can do it, and then he should systematize his own work so that not over 50 per cent. of his time would be occupied in doing the actual details. A good executive can unquestionably so organize his work that he can be free at least half his time, to give audience to all the people who call upon him, and to go out himself in search of new ideas.

Shoulder Responsibility

I believe an advertising manager should accord an audience to every man who calls on him, at least once. If the salesman at that time does not demon-

strate that he has something of value for the house which employs the advertising manager, he is not entitled to second interview.

Give One Audience to Every Caller

An advertising manager wastes his time when he tells callers about his own achievements and what he intends to do, unless he does it deliberately, with the idea of stimulating more valuable suggestions or confidences from the people to whom he is talking.

The best way to get the whole story of any man who is calling on an advertising manager is to let the caller do all the talking; and few men have a story that will take them more than fifteen minutes to tell. A man who has posted himself sufficiently on the business of the house, who takes more time than that to tell his story, ought to be listened to with respectful attention, and encouraged to go out and get more helpful ideas on which specific suggestions of usefulness could be based. Nothing proclaims the business ability of an advertising manager more than his willingness to accept ideas and suggestions, and to freely accord credit to whoever brings such to him.

Be a Good Listener

REFERENCES ON CHAPTER XXI

"The Job, the Man, the Boss," by Blackford and Newcomb (published by Doubleday, Page & Co., New York), is a valuable book for an advertising man to read. It will help him determine the character of the men who call upon him, and it

will put him in position to advise and counsel with the executives.

"Thoughts on Business," by Waldo Pondray Warren (published by Forbes & Company, Chicago), are suggestive and stimulating to guide one's own thinking. It is well to remember that thoughts must be put into action constantly in order to prevent the thinker becoming a dreamer.

"How to Write a Business Letter," by Chas. R. Wiers (published by the author, 631 W. Delavan Avenue, Buffalo, New York), is the most thoughtful and practical treatise on this subject that I have seen. Anybody who writes will be benefited by reading Mr. Wiers' book.

CHAPTER XXII

THE ADVERTISING SOLICITOR

THE actual work of selling gives me the greatest pleasure of anything that I can do in a business way.

I have said many times that I do not think I am a salesman by nature.

It was wholly a bread and butter proposition that started me out to sell space on an Iowa newspaper which my father edited for over fifty years, and on which I secured whatever education I received after one year in a small academy succeeding my graduation at high school.

The first attempt that I made to sell space in our newspaper was both gruesome and ludicrous. I tried to persuade a man in the tombstone business to have a clearing sale, because from reading the Chicago daily papers I assumed it was along those lines only that retail merchants could advertise. Three months later when I called on the tombstone man he told me, with considerable anger, that I had done him a great injury.

A First Attempt at Soliciting

I asked him if nobody had read his advertisement, and he answered:

"I think everybody must have read it."

He then went on and said that he had lost ten good jobs which had been promised him by farmers if their harvest was good, because his competitor had told them he was going out of business, and the farmers would not have believed it unless they had read the clearing-sale advertisement.

I have said many times that all I know about advertising is what I gained in actual sales experience, from which I deducted fundamental working principles. I am perfectly willing to concede that advertising can harm the advertiser as much as it can help him. Advertising, in itself, is a good deal like food. Taken in proper proportion three times a day a man lives in better condition and does better work than if he alternately gorges or starves himself. He should not attempt to get along on too little or digest too much.

Advertising Can Harm as Well as Help

Advertising, to be successful, will always require fine adjustment and careful judgment based on actual knowledge of conditions.

In Chapter XXI I have indicated that an advertising manager who desires to give his customers the largest possible service for their money can well afford to cultivate the coöperation and confidence of printers, engravers, or dealers in advertising supplies who are creative salesmen in a true sense of the word.

This fact gives to the advertising solicitor his greatest opportunity. He ought to know accurately

the merits of the medium he represents. He ought to know what the medium he is selling will do under certain definite conditions. This is a part of his regular equipment.

A Solicitor Must Give Service

His success depends upon his ability to see that the person or institution which buys from him gets the largest possible service in results.

No retail merchant ever came in to buy space in the daily paper for which I first solicited advertising. The traveling patent medicine man, the advance agent of the circus, the man who came to the city to rent a storeroom and conduct a fire sale, always called on us and bought space with an apparent intention of appearing liberal and free-handed in their expenditures.

Some of the most valuable lessons that I ever learned was in assisting the retail merchant in writing copy for him. When I came to Chicago, in 1891, very few business men were willing to admit that anybody except themselves could write their advertisements.

Nothing has marked the progress of advertising more than the change of sentiment of heads of large business houses and even of advertising managers themselves on the question of who should write the advertisements.

Writing the Advertisement Once the Dealers' Prerogative

Ability to put into clear-cut, understandable English the sales-impelling thoughts of a masterful, creative salesman is possessed by few men. The physical appearance of these men is no indication

of their ability. They are not always impressive or personally magnetic, but they have the quality of putting words and phrases on paper, or of putting ideas into the form of pictures which influence thousands at a time to do what the personal salesman can get only one at a time to do after a talk lasting from twenty minutes to two hours in each individual case.

The Power of the Advertising Writer

The advertising solicitor's opportunity lies in understanding the service possibilities of the advertising accounts he is soliciting. He must be resourceful in ideas, and he must be able to impress people whose business he seeks with the thought that his medium and his ideas in connection with the use of the medium can give the largest possible service to the advertiser.

The Solicitor Must Understand His Prospect's Proposition

The service idea in advertising salesmanship is very marked to-day. It will be more so in the future.

The old idea of salesmanship that it is clever for a man to catch the buyer unawares and to "put something over" on him is being rapidly relegated to the discard. Nothing emphasizes this thought more clearly than to remember the men who were prominent in advertising salesmanship twenty years ago, and compare them in personality and methods with the men who are preëminent to-day.

The New Order of Soliciting

Often have I said that I was trained in the school

of salesmanship which taught that the best salesman had the most turndowns because he made the most calls.

There is no question that the lost sale is the greatest opportunity in advertising work to-day.

Overcoming Lost Sales

The salesman who sells advertising space or advertising material must himself master the art of overcoming as many of his own lost sales as possible.

The fact that men refuse to make sales when they could is one of the most effective means of winning the confidence of the buyer and insuring a hearing as against competitors whenever the buyer is again in the market.

This is itself a form of advertising which the advertising solicitor can most profitably cultivate. One of the surest ways to convince another person of your sincerity is to refuse to make money when the chance presents itself to you.

Turning Down Business a Royal Road to Future Business

When the buyer is convinced that you only want his money when you can give him the largest possible service for it, you emancipate yourself as an advertising solicitor from making many fruitless calls. You put yourself in the position where buyers will look upon your call upon them as an honor, and when they learn you are in the reception-room, or are telephoning for an appointment, they will feel that you have something to tell them that they cannot afford to miss.

Along these lines an advertising solicitor can build up personal prestige and loyal customers which overcome, to the largest possible extent, the handicap that a human being has a body that can only be one place at one time, and is able scarcely to stand up under more than ten hours' strenuous labor each day.

Building Personal Prestige

If I were asked to advise a young man who wanted to become an advertising solicitor, I would urge him to get a connection with a well-established, well-managed newspaper, magazine, printing, or engraving house. Select as an employer one that has a reputation of making good upon every responsibility, and pay no attention to what the salary is the first year.

The next step would be to make up a list of prospective advertisers, selecting people who are logically situated, because of their position in the market, to deliver a larger service to the group of people that your advertising mediums serve better than any other.

How to Solicit Business

Learn everything about your own medium; and the best way to do this would be to simply go out and make calls. When a man asks for information, jot down his question in a memorandum book. When you go back to the office have this answered by the man who knows most about it, and the next time the same question is asked you can answer it clearly, succinctly, and definitely.

You will be surprised to find how in a little time you will be able to have ready at your tongue's end

clean-cut, definite, convincing answers for practically every question that a buyer will ask.

Always present the merits of what you have to sell from the viewpoint of how it will assist the prospective advertiser in what he is trying to accomplish in his own market.

Avoid discussions of technical detail.

Things to Avoid

Never discuss competitors. This is the safe path for young solicitors to follow, and is usually followed by old-timers who are in position to discuss competitors intelligently and accurately. Their time is too valuable to do otherwise.

The best-informed salesmen that I know, if they discuss competitors at all, generally get the buyer to state in his judgment what is the most favorable thing regarding the competitor; then, conceding this, they proceed to show how their own house is even better equipped along this same line.

Soliciting Is a Serious Job

The advertising solicitor should take his job seriously. He should be serious in his approach and in his discussion of business matters with the buyer. He should never joke about his own business or talk flippantly about it. He cannot command the respect of other people unless he treats his own business respectfully. Confidence and respect are so interwoven and synonymous that it is difficult to separate them. Confidence is the only basis on which the permanent business building sales are made.

By this I do not mean that a man shouldn't joke

or laugh and have a good time, but I do mean that his stories should be clean, and his jokes should be about things outside of his own business, and not in any way reflect on the honor or the integrity or the ability of the people associated with him or of the house that he represents.

The Solicitor Must Know —Bluffing Doesn't Go

An advertising solicitor should know more about the use of the medium that he represents than the man he is soliciting. He should make the man to whom he is talking believe this, and the best way to do it is to be so strongly equipped with knowledge, facts, and figures of how his medium has been used that he can discuss the subject accurately and intelligently.

The advertising solicitor should be very definite in his statements. He should not deal in generalities. He shouldn't tell a partial story. If he gives a definite transaction in detail, he should tell both the good and the bad, and endeavor to show how any bad features could have been avoided by forethought.

Plan Your Work and Work Your Plan

One of the best rules for an advertising solicitor to follow is the old one "Plan your work and work your plan." The advertising solicitor should avoid antagonizing the buyer, and for that reason he shouldn't discuss outside subjects with him on which he would have a justifiable difference of opinion.

Under no circumstances should an advertising solicitor or a salesman allow criticisms to be made of the house he represents. This is the most serious re-

flection that can be made on his own judgment. If a man is a good salesman he does not have to connect himself with a poor house.

The best houses in the world are ready, open, and eager to hire more salesmen of the right sort.

The salesman who allows a buyer to say that he is all right but that his house is wrong is committing business suicide. If the house is wrong he should quit it—if it is right he should defend it and absolutely discountenance unfavorable criticism.

Selling Space for Big Publishers a Big Job

There is no work in which a man has a more pleasant opportunity to exercise the best there is in him than in the sale of advertising space for a large institution. He is working with 13-inch guns, but he is doing things in a constructive way to help mankind rather than to destroy people.

The opportunity for big men as advertising solicitors is much greater to-day than the supply, but the amount of training that is necessary to develop men for those positions is greater or fully as great as is necessary to fill large places in law, medicine, architecture, or engineering.

It is the old story that it takes more time to lay the foundation for a twenty-story building than it does for a two-story cottage.

The Hunt for Good Men

Young men want to be willing to work and learn while they are developing. The training of the judgment is an essential factor in making one ready to fill the large positions that are open.

Fortunately, judgment is something that can be trained—judgment is experience, intensified by clear, analytical thought. Judgment gives men courage to try things over and over again that they figure out in their own minds are fundamentally sound, with the conviction that all obstacles will be ultimately overcome.

The two largest publishing interests in the United States are conducted by men who are conspicuous for periodically going out on what they call "A man hunt." The large positions in their organizations have been recruited from all over the United States.

Men in small places (who have fulfilled responsibilities in a well-rounded way) are sought for to fill the larger positions. A well-rounded character, the ability to see below the surface, the courage to continue no matter how many rebuffs one receives, the confidence that sound business principles will ultimately prevail, a rigid adherence to what one is convinced is sound basically, tempered by courtesy, kindness, and forbearance, is bound to win in the long run.

The advertising solicitor has more things to meet that will prevent him from being successful than in any other line of business with which I am familiar. Mastering all these difficulties, he gains the satisfaction of achievement and accomplishment which maintains his own self-respect. This, after all, is the ultimate goal in life that is well worth striving for.

REFERENCES ON CHAPTER XXII

Every chapter in this book and all of the references thereto are supplementary reading that I can heartily commend to every man who aspires to be an advertising solicitor.

The daily papers, the monthly magazines, and especially the trade papers, in any line to which an advertising solicitor is giving special attention, should be carefully read for new ideas or revivals of old ones and the extent to which they are taken up by one or many groups.

The editorials of Arthur Brisbane in the Hearst papers should be carefully read, for three reasons: (1) he understands the group spirit and knows how to hold the continuous attention of a very large portion of the reading public; (2) his remarkable ability of keeping in close touch with the development of scientific and philosophic thought, and (3) his masterly style of interpreting technical subjects in plain, simple language that any one can understand.

It is my firm conviction that an advertising solicitor ought to be continually reading the works of men who have given long thought to specialized subjects and put their ideas on paper; such works are Ruskin's "Unto This Last"; George Horace Lorimer's "Old Gorgon Graham: More Letters from a Self-made Merchant to His Son" (Doubleday, Page & Co., Garden City, N. Y., 1904); Otto Weiniger's "Sex and Character" (G. P. Putnam & Sons, N. Y., 1906);

Crewson's "Tales of the Road" (Grossett & Dunlap, New York), and H. G. Wells' "War of the Worlds" (Harper Bros. & Company, New York, 1909).

All these books stimulate thought and suggest new ways of approaching the solution of fundamental problems.

CHAPTER XXIII

THE ADVERTISING AGENCY

BENJAMIN FRANKLIN'S mother-in-law objected to him before he married her daughter because the business in which he was engaged was overdone—he was publishing a newspaper, and there were already six in America! Now there are 22,141—2,600 dailies, 15,097 weeklies, 2,491 monthlies, and 1,953 of various other kinds. Practically all of them carry advertising.

The business of soliciting, preparing, placing, checking, and paying for all the advertising space involves an infinite amount of detail and a wide range of talent.

Nearly all retail stores buy space direct from the publisher, who may be represented by one or more advertising solicitors. It all depends upon the size of the field. In large establishments the advertising manager may write the copy. The owner of the store may attempt it. He may use copy writers proffered him by the publisher. Or he may employ a "free lance" copy writer, who will, of course, have a number of other customers.

A mail-order house generally buys space through an

agency. It either has its own copy men, or uses those allotted to it by the agency.

Foreign advertising is the local publisher's term for out-of-the-city advertising. The national or "foreign" advertiser usually places his business through an ageney. These agencies furnish a service which varies greatly in scope and character. The suecessful advertiser must supplement in his own organization the service he needs but does not get from the agency.

To understand the present status of the advertising agency, read George P. Rowell's "Forty Years an Advertising Agent," whieh tells of the early days when an ageney was merely an office with a list of publishers' rate cards, files for papers, and a shipping department. The agent sold space at publishers' rates, forwarded the copy to the publisher, collected from the advertiser, and remitted to the publisher the proceeds less his comunission. It was a valuable service then. Newspaper circulation and values were hard to get at. It was a service for publisher and advertiser.

The Early Days of the Agency

In time, however, competition arrived. Publishers increased their commissions, and their rates had to go up accordingly. As publishers did not limit the number of representatives they might have, the number of agents increased rapidly, and their competition gave rise to many bad practices.

Commissions were split. The agent, sometimes honestly and sometimes not, adjusted his service to

the compensation, accepting a lump sum for a list of publications, but making as much as possible out of the publisher by short payments, refusing to allow for alleged incorrect insertions and short measurements, and by payment in type, printers' rollers, and other kinds of merchandise instead of cash. This was "playing the game."

The Era of Split Commissions and "Agents' Net Rates"

Then came the era of the agent who took business at a certain percentage over net, and "agents' net rates" were commonly interpreted as the publisher's rate card less his regular agent's commission. The customer was billed at this rate plus 10 to 15 per cent. previously agreed upon. And the agent felt he was justified in keeping anything else he could get from the publisher.

This system irritated the publisher, who still had his troubles with short measurements, incorrect insertions not allowed for, and various other expensive and harassing deductions which left him no time to consider how he could best serve the advertiser. It kept him quite busy making sure he would get the money his orders indicated was owing him.

Then came the race of agents who, realizing the value of the publisher's good-will and coöperation, specialized on some certain class of advertising, and got inside special rates from the publication most logically suited to carry it. This made it possible for him to underbid competitors when they were called in against him;

The Lowest Bidder Secured the Business

and to make a very long profit when he had no competition. This practice further demoralized the advertising business. There was so much juggling of rates that strong publications employed special representatives, who should see to it that advertisers were informed of their circulation, prestige, and other good points, and to see that their papers appeared on competitive lists.

The special agency idea was abused by a number of men who bought outright all the space in a group of papers, and then increased the rates. Or, because they had a few strong papers on their list, would induce the advertiser or his agent to take on the whole list by making apparent but not actual price concessions.

The fact that the advertising agency has survived all these schemes and questionable practices is a sincere tribute to the inherent power of advertising to make good, even when the odds are against it. It is also a tribute to the integrity and constructive ability of the men engaged in the business to-day. In spite of the fact that at times both agent and publisher have been doing business with the advertiser on a basis which almost *invited* an unfair deal, they have established their position—because they have made good with their customers.

Of Present-day Agencies There Are Four Types

Much might be said about the history and development of the advertising agency, but we can take time only to consider the four definite types which are now in existence. In this count I am not including a variation now practi-

cally extinct—the man who merely clears business at a small advance on the net cost. He cannot make good any more, for most publishers either refuse him any recognition, or else give the service agent a so much lower flat rate that he cannot deliver.

The Agency That Sells Copy Service

There is the agency which sells copy service, but does no placing. It may be one man, or a group. The charge is usually a fixed amount, weekly or monthly. They handle none of the details of buying or contracting space. Their methods are open and straightforward, and the copy is usually satisfactory and well worth what it costs. Their customers know exactly what they get and what they pay for.

The Agency Which Places Business at Publishers' Rates

Type 2 is the agency which solicits and places business at publishers' rates, writes copy, and gives a certain amount of merchandising counsel. Most of the men who are doing business on this basis are honest, capable, and successful. But I think this system does not pay them, neither does it pay the publishers nor their customers. The customer does not always know how much he is paying for agency service and how much for space. A weak publisher may secretly increase his commission to the agent, and because the advertiser is doing business at publishers' rates he would not be informed of the change. The agent himself often has a wrong conception of his proper relation to the customer and the publisher. He is apt to think it is the publisher's commission that

gives him his status—when he should know that it is the advertiser's money that is paying for both space and service.

Type 3 is the agency which tells its customer it will charge him 10 to 15 per cent. above net; and then asks the publisher for protection by allowing a commission.

The agent who charges publishers' rates is a publisher's representative, and must look to him for protection. Such a man must cast his vote with the publisher in case of conflict. Most publishers recognize that the advertiser is entitled to a square deal, and they implant this thought in the minds of the agents who do business at publishers' rates. This is the only assurance the advertiser has of being well served by such an agency.

Agents of Types 2 and 3 Cannot Fully Represent the Advertiser

On the other hand, the agent who offers to charge a certain percentage above net, as guarantee that he will not allow himself to be influenced by any increased commissions offered him by the publisher, and then asks the publisher for larger commissions (not lower rates) for protection, is carrying water on both shoulders and cannot represent anybody—not even himself—for any length of time.

This type of agent is in hot water continually. If he is doing business at publishers' rates, he can keep for himself any rebates, discounts, or free space (publishers do not generally offer these things to advertisers direct). If he is charging 10 to 15 per

cent. above net, and at the same time asking the publisher for favors for himself, neither he nor any one else knows whether he is really entitled to free space, special discounts, cash advances, bonuses on volume of space used within a certain time, short time rates which the customer may have paid to the agent but the agent has not paid to the publisher, and other profitable perquisites which an appreciative publisher is glad to allow a producer.

The Evils of the Agency System Which Does Not Represent the Advertiser

This kind of business must go as surely as the 5 per cent. "placer" has gone. I believe the publishers' rate agent is to be with us for many years, perhaps permanently, because he is apt to specialize on a certain classes of mediums, and to be a truly important business-getter for the publisher. If he is an honest and able man, and he usually is, his service is well worth what the advertiser pays for it, for it is the advertiser's money that pays for both space and service.

Type 4 of agency is my ideal. A number of successful organizations have realized its main features in everyday practice; so that I can safely say the type is well defined. It is an outgrowth of the organization idea. It proves that coöperation and specialization develop a higher standard of service than can be attained by an individual, and that the advertiser will get more for his money if he grasps its methods and adjusts his own organization to it.

The Highest Type of Agency Sells Service to Its Customers

Such an agency sells service, and nothing else. It should have no ownership interest in space or supplies it buys for its customers, nor any stock or financial interest in the business of its customers.

The Best System of Agency Compensation

Its compensation should be a retainer fee, for advice and counsel and the relinquishment of any conflicting interests, plus a percentage on the amount of detail work handled or a specified amount per day for the actual work of its various members. By far the most satisfactory system is a minimum monthly fee which is credited against a minimum 15 per cent. service charge to be added to the net amount of all purchases and deliveries of space and supplies.

The Four Definite Functions of the Advertising Agency of the Fourth Type

This organization has four definite functions. It can, if properly equipped and intelligently managed, do each of these better and more economically than the advertiser can. They are:

1. *Counsel of Mediums.* The organization which undertakes to advise for or against any advertising medium should have had constant successful experience in the use of all kinds of advertising mediums. A fully equipped agency organization should make money for small advertisers who use only one medium; as well as for larger businesses which use several in combination. Its experience should cover newspapers, magazines, trade papers, mail-order mediums, all class publications, street cars, electric signs, painted bulletins and

walls, and all sorts of printed or lithographed matter, follow-up material, and novelties.

2. *The buying power* of an organization is kept unimpaired by refusing to accept anything from publishers or space producers for itself. I believe that the ideal organization must refuse to sell its service, under any circumstances, to publishers or space producers, or to any one else from whom it may buy for its customers.

The number of advertising mediums which have a fixed rate is small, though all the best ones do. A complicated rate card is a challenge to the trained space-buyer. Many mediums offer a net flat rate to large agency organizations, for the reason that they are wholesalers. Their customers are rebated the difference, of course. Where there is an opportunity for trading or dickering, it is certainly advisable to employ a man who knows how to do it. It is quite generally conceded that the space-buyer for a large agency organization holds a very responsible position.

The agency buys outright, and pays for space at once, in cash, which is an important factor in buying. The buying department of such an organization has nothing to consider save the actual value of the service offered; it is, therefore, in better position to get a low price and collateral coöperation than the agency which asks the publisher for a commission and protection.

3. *Copy service.* No matter how carefully mediums have been selected, or how economically space has

been bought, it is without value to the advertiser until it is filled with copy which will get the desired result. The copy staff of a successful organization must represent the picked men of a nation, working together harmoniously in confident coöperation with the advertiser's organization.

Sometimes, after the analysis has been finished and the selling points agreed upon in conference with the advertiser, one man writes all the copy; sometimes several men work on a national campaign where there are several groups of consumers and trade literature and selling helps to be taken care of.

4. *Sales coöperation*, the most recent development of agency service, has been misunderstood in many places. It does not mean sales direction, nor the displacement of salesmen. Sales coöperation means getting more service from the publisher and space-producer, because you can convince him that the best way to entrench his own business is by giving the advertiser more for his money. It also means making the advertiser's salesmen more valuable to himself and to his principal.

The very best salesmen make many calls which are non-productive. Anything which increases their percentage and volume of sales as compared with calls makes them more valuable without increasing their labor. Sales coöperation is the result of applying the principles of scientific management to selling methods. It is sharing with salesmen the responsibility of planning their work. Advertising does the

missionary work and the salesman becomes an expert "closer" and business-builder.

Nowadays a banking corporation regards itself as the trustee of its depositor's money, and does not loan money to any business in which its officials are interested. The same general principles should govern the conduct of an advertising organization.

The Advertising Agent a Trustee of the Customer's Money

Advertisers should have at all times access to the books of the organization which places their advertising. Once each year they should receive from an audit company a report which shows that their advertising appropriation has been spent as had been agreed upon.

Advertiser Should Have Access to Agents' Books

The highest type of advertising service is offered by the organization which attracts as customers only those businesses which are acknowledged leaders in their respective lines, and then at all times regards them as a group of non-conflicting interests coöperating for their common good.

The Agency of the Highest Type Will Advise Against Advertising if Advertiser Is Not Ready for It

Such an organization will advise *against* advertising if the advertiser is not ready for it. It will tell him, how, when, and where, advertising should be done. It should be consulted long before the advertiser starts to plan about prices, distribution, the package, selling methods, and the instruction of salesmen about ways and means for cashing in on the advertising.

CHAPTER XXIV

ACCOUNTING

NO ELEMENT of successful advertising is more important than a system of accounting which records all transactions accurately, so that the totals unmistakably show the trend of the business as a whole.

Advertising is creative and constructive, and largely a matter of spontaneous expression—the best reason in the world for knowing how to determine exactly the strength and competency of it as a productive force, and the positive value of each separate factor thereof.

Accounting That Provides a Ready Basis for Advertising Deductions

Accounting is not a matter of books, cards, blanks, and specific forms. It is keeping track of the details of advertising all the time, so that they may be considered in the aggregate as well as separately frequently, and intelligent deductions made therefrom. There is a good deal of red tape about modern accounting. Some of it is valueless, but much can be accomplished if there is a proper system of recording everything that is done. The cumulative figures will be full of meaning.

I have often said that my most valuable business experience was that gained during the installation of an accounting system in our business some years ago, and during the process of emancipating ourselves from the system by putting into practice the principles which supported it. We all got a thorough grounding in the essentials of accounting.

Proper Distribution of Overhead Expense

Frequently I have been appalled at the inadequate knowledge upon which a prospective advertiser was basing his conclusions. So often overhead expense is not properly distributed in figuring costs. In the one case a particularly profitable transaction may be made to bear far more than its share of general expense; in another case a positively unprofitable item, which, however, *appears* to be making money, is continued—*because* it has not been charged with its rightful portion of overhead.

It is my conviction that each department of a retail establishment should be charged directly with every line of publicity for which it has been responsible and from which it is to profit, and that "general publicity" or "cumulative results" should be "velvet," or a plus commodity.

Advertising that has for its purpose general publicity is usually purposeless publicity. Even if it does accomplish what it is expected to do, it is only half as valuable as it should be; for the same results would have been had, at no cost whatever, had this publicity been charged and paid for by the proper department.

A simple, accurate system of accounting, to check up results, is necessary to "make advertising pay." If a salesman is able to reduce his percentage of unproductive calls by talking the advertising of his house in addition to the worth of the goods, or if he is able to increase the amount of his average sale, his reports should show it. All salesmen's reports should be tabulated, so that the sales manager can plan intelligently for the future. Such a method does not work the salesman any harder, mentally or physically; but he accomplishes more, is worth more, and is entitled to know of his increased value and to receive a fair share of the profits of his coöperative work.

Checking Up Results Should Be Made Easy

Every accounting system should be able to give the executive head of the business all he wants to know, whenever he wants to know it, and in such condensed form that a comparison or an analysis will be simple.

The Executive Should Be Able to Know Anything He Wants to Know at a Moment's Notice

On the opposite page a sheet from a daily time book devised by Herman A. Groth, Secretary and Treasurer of the Mahin Advertising Company, is shown. You will see at once how easily and exactly each man's time can be recorded there. Any one can use this blank, no matter what his business. And I guarantee that if the habit of using it is formed, and the summary studied each month, many useless or unessential tasks will be omitted and the more profitable ones developed into expertness.

This Record to be filled out each day by Executives, Department Managers, Copy Writers, Service Managers, and Representatives of the Mahin Advertising Company.

DAILY SERVICE TIME RECORD.

_____NAME DATE_____191__

DETAILS OF SERVICE	HOURS	CUSTOMER
8 A.M.		
9 A.M.		
10 A.M.		
11 A.M.		
12 M.		
1 P.M.		
2 P.M.		
3 P.M.		
4 P.M.		
5 P M.		
6 P.M.		
7 P.M.		
8 P.M.		
9 P.M.		
10 P.M.		
11 P.M.		

This form is designed for the man who every hour strives for 100% Efficiency for Customer, House, and Self.

Nothing impresses a banker more than an exact system of accounting. To most bankers advertising is more or less of a mystery. The manufacturer must establish in his banker's mind something besides the fact that he *is advertising;* he must convince him that he *knows how to use* advertising so that it will get results.

Good Accounting an Asset in Negotiating a Loan

When you call on your banker for a loan, there is just one kind of advertising that he will look favorably upon—the kind that has been so accurately recorded by a comprehensive accounting system that you can *prove* to him that it has accomplished what it set out to do.

The building of a national good-will bears a direct relation to the amount of money spent for national advertising. I have known many an advertiser who at the end of three years of national advertising would not sell the brand he had established for all he had spent for national advertising in those three years, although it had been charged off to expense each year. When a business is being sold, the amount spent for general advertising is often the basis for computing the value of the good-will.

The Relation of Advertising to Good-will

I certainly do not advise inventorying advertising expenditure as an asset, but I do believe an account showing the annual expenditure for each brand which has a national sale is properly an item of a financial statement. I think the time is coming when banks

will ask for a statement by years, for profits may not be radically lessened for a number of years after advertising has been dropped. But the original net profit could not be restored without spending all profits for advertising for a year or two, or perhaps more.

An Accurate Record Should Be Kept of Annual Expenditure for Advertising Each Product

Most people, if asked to name the highest mountain in Colorado, would say "Pike's Peak." But the fact is there are twenty-six that are higher. There are many articles that are really staples and are known only by their trade name. No one knows whether there are twenty-six, or more, equally good ones. The consumer's preference, which is a mixture of experience, familiarity, and friendliness, is the manufacturer's biggest asset. No one could estimate how many pages have been written about Pike's Peak, or how many times its name has been mentioned in magazines, newspapers, or by word of mouth; but all agree that in that way, and only in that way, has it acquired its distinction with reference to other Colorado mountains.

Granted, then, that what has been written, printed, and said about a certain staple is what gives it preference, it follows that an accurate record should be kept of the cost of this favorable mental attitude, and that due regard be paid to the expenditure necessary to keep this investment intact and enhance its value if possible.

It is impossible to say just how much should be

spent for advertising, or how much for salesmanship. I can only repeat that price is never a measure of value. It only measures the pocket-book's relation to the intensity of desires which have been created by personal salesmanship and advertising. Practically every one has more wants than he has means. Lowering the price broadens the market; raising it, contracts the market. Many people who have unlimited means gladly pay for exclusiveness and distinction. Price never can determine or measure intrinsic value.

How Much Should Be Spent for Advertising

A five-dollar safety razor leads the market against a competitor which sells as low as 25 cents. How is it done? The manufacturer put his price high enough, at the start, to provide him with a margin of safety. Then he has had to determine, by accounting, whether the market shall be widened and competition discouraged by reducing the price and making on volume, or if he shall keep up the price and give his goods the added value of distinction and exclusiveness.

If there is one idea that I wish more than another to have impressed upon the readers of this book, it is this: successful advertising is the active employment of many factors properly balanced with relation to each other, inter-related, one to another, so that their movements coördinate without waste or friction in carrying out plans capable of varying to meet an emergency situation but bearing directly toward a fixed goal. If I have made

Successful Advertising Defined

this point clear, the importance of careful, comprehensive accounting, up to the minute at all times, is obvious.

Advertising is so many sided—it builds and conserves business, it reduces expense, it strengthens credit, it eliminates waste, it puts a business on a rock foundation, as immune as is possible to competition—that facts and figures with reference to it cannot be too carefully gathered.

No one can accomplish much in this age without using some phase of advertising. And if this book shall inspire some to make use of it in a wholesome, helpful way, I shall be well repaid for the pleasant labor of producing it.

REFERENCES ON CHAPTER XXIV

Twenty-five years ago I read "Goodwin's Improved Bookkeeping and Business Manual," published by J. H. Goodwin, 1215 Broadway, New York City. It seemed to me then to expound the fundamental principles of accounting better than anything I had been able to get hold of.

Quite recently I asked George F. Watt, president of the Elliott-Fisher Company, Harrisburg, Pa., maker of The Bookkeeping Machine, about this book, which has been rewritten and brought up to date.

Mr. Watt told me when he was vice-president of the Baker-Vawter Company he inaugurated the policy of giving a copy of this book to each new sales-

man, to make sure that he thoroughly comprehended the basic principles of accounting.

The Baker-Vawter Company, Benton Harbor, Mich., and the Burroughs Adding Machine Co., of Detroit, Mich., issue booklets emphasizing the broad scope and value in creative work of modern accounting methods.

"Works Administration," a twenty-eight page booklet of Gunn, Richards & Co., New York City, is a model piece of advertising matter for a professional house, as well as an exposition of accounting principles.

"Accounts—Their Construction and Interpretation—for Business Men and Students of Affairs," by William Morse Cole, A. M., Assistant Professor of Accounting in Harvard University (Houghton, Mifflin Company, Boston), is an authoritative presentation of modern accounting in its scientific aspects.

APPENDIX

The following communication was published in the Chicago *Record* (since absorbed by the Chicago *Herald*) on September 30, 1896:

FREE COINAGE OF LABOR

If free coinage is such a good thing, why not have free coinage of labor? The proposition that a miner of silver can take his silver to the mint and receive a fixed compensation for it is an excellent thing for the man who has silver. If this could be done, and a ratio of 16 to 1 be actually maintained with gold, it would show a handsome profit to the silver producer, or, if it should prove that free coinage would bring the dollar down to its intrinsic value in silver, it is still a convenience to the silver mine-owner to have a ready market for his product.

In the interest of labor, it seems absurd to urge the free coinage of silver. Who has silver? Anybody but the mine-owner?

Must we assume the worry and unnecessary labor of rearranging our system of business, our fixed values, our railroad rates, and our government salaries by changing our standard of measurement, simply to accommodate him?

But there is one thing every man possesses which he should in a wisely ordered government have a free and unrestricted market for, and that is his labor.

I would join heart and soul in any movement which

sought the free coinage of American labor. A government which kept open an opportunity for every able-bodied man to turn his day's labor into not less than $1.50 to $2 in money on the gold standard would furnish an equilibrium for business, and do more to prevent depression and panic than any system of metal coinage that could be devised.

See how simple the proposition is. Here we have 70,000,000 of people. Of that number there are perhaps 12,000,000 able-bodied men. Every person in the United States is fed, clothed, and housed every day. People are not dying of starvation. In exchange for food, shelter, and clothing, what does man give in return? His labor.

With a free and unrestricted market for his labor, his productive capacity is increased. He is able to add more to the actual wealth of the country and secure a larger portion of it for himself.

Every day spent in searching for employment, every idle day spent in waiting while mills and factories are shut down, means a loss of production, while steady, regular employment, with its proceeds properly distributed, means an increase in the comforts and possessions of the people.

If every man in the country were absolutely sure he could market his services for not less than $1.50 a day, what ease of mind and comfort of body it would mean to the laborer—he would be able to act independently of harsh employers and be assured of support for his family.

This would make $1.50 a day a minimum price and would act as a regulator of the labor market. It would insure a steady and regular income for the laboring people and thereby establish a fixed and firm foundation for trade and business.

I would not have this market in the form of a sinecure or fat political job. I would want to see it simply a government affair where any one out of work could go for three months at a time—transportation to and from the place where work was going on free—and receive $1.50 a day, or its equivalent, less a fair and reasonable cost of board and lodging, which should be similar to that furnished soldiers in the regular army.

The government could undertake great public works—canals, fortifications, harbor improvements —under this system, and when times became better and wages rose above $1.50, as they did in 1892, the work could be contracted to a smaller scale, and when times became dull and the demand for labor became scarce, the government works could be expanded again under the direction of army engineers and officers, of which there are plenty waiting around for something to do.

No one will object to the government issuing bonds to furnish funds to pay labor of this kind in dull times if such were necessary, which is not likely, as a normal healthy business system would undoubtedly be the result, and deficient revenue would be very unlikely.

It would entail no additional burden on the people at large, as every one in the country must be supported in some manner. By this system there is gained the result of every worker's labor in addition to the self-respecting and well-ordered mind possessed by an employed man.

If unskilled labor has a ready market, skilled labor needs no assistance. It will take care of itself.

The prosperity of a country rests upon the prosperity of its unskilled labor. A scheme like this would act as the governor of a steam engine to reg-

ulate and keep in a steady and even condition the foundation upon which a healthy and aggressive business must float.

One of my friends says this is socialism. But under the circumstances I have described where could there be anything but good results from such a procedure?

It certainly is fairer to all men if we have free coinage of anything at a fixed value to have that which all men possess and can give if they so desire.

There is certainly no discrimination or favoritism in it. It would greatly simplify the demands in charity to refer all able-bodied men to the government works where all who would could work and be paid for it.

JOHN LEE MAHIN.

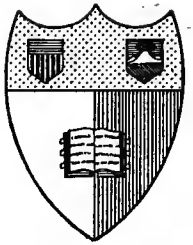
Chicago, Ill., September 24, 1896.

THE COUNTRY LIFE PRESS, GARDEN CITY, NEW YORK

MODERN METHODS IN SELLING

L. J. HOENIG

ar V
13701



Cornell University Library
Ithaca, New York

FROM

Professor C. S. Northup

Cornell University Library
arV13701
Modern methods in selling;
3 1924 031 249 653
olin,anx

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924031249653

MODERN METHODS IN SELLING

Modern Methods In Selling

A Book for Every Man and Woman in Business

By
L. J. HOENIG
LL. B., CORNELL UNIVERSITY

INDIANAPOLIS
THE BOBBS-MERRILL COMPANY
PUBLISHERS

COPYRIGHT 1922
THE BOBBS-MERRILL COMPANY

A515840

Printed in the United States of America

PRESS OF
BRAUNWORTH & CO.
BOOK MANUFACTURERS
BROOKLYN, N. Y.

INTRODUCTION

This work is written primarily for the salesman, or the man or woman who contemplates taking up selling work. I hope, however, that it may have some helpful suggestions as well for the sales manager, or the head of the house. It presents the problem of the one who sells either at wholesale or retail; of the salesman who calls on the trade or is called on by the trade, of the man who writes the sales letter, dresses the window or the display counter, or who writes the advertisements. Each may have a different line of work, but his problem is the same,—first, to get attention; each must have it. Then their problems run parallel in the effort to secure interest. There can be no selling without interest. Probably the work of each continues in the endeavor to secure desire which carries the necessary impulse to buy, and finally in obtaining the decision to buy, properly carried into effect.

The traveling salesman carries his samples or his articles for demonstration. This and his knowledge is his equipment. The salesperson in the retail store has the goods or articles in

stock and his knowledge for his equipment. The man who writes the sales letter has only his knowledge of the goods and of those who are expected to buy them. This knowledge and his letter are his equipment. And so with the advertising man; his knowledge and his copy are his equipment. Each has different equipment with which to work out the same problems. Each depends on getting his message along certain pathways to the brain, the writer through the sense of sight, the personal salesman through as many of the senses as possible.

Studying these branches of selling in this associated way ought to give a broader idea of the science than could be obtained otherwise. The different branches are treated as comprehensively as this single volume will permit, every important principle or practise being brought out. The usual amount of detail, much of which is often tiresome in works of this kind, is eliminated without sacrificing anything of consequence. Unless otherwise directed, we generally begin our study of selling inductively, reading only such works as pertain immediately to our particular branch. Not until we have come into executive work do we realize, as a result of wider observation and experience, the importance of the study of all branches of selling as brought out in this work. This general survey

of the problems ought to give the salesman breadth and understanding which he could not get in the reading of any volume relating to his particular branch of the work. I hope that this discovery of the similarity in the problems of each branch will be an incentive to the reader to go into the individual branches still deeper, and eventually give him knowledge that will serve him well in executive work.

L. J. H.

OMAHA, NEBRASKA.

CONTENTS

CHAPTER		PAGE
I	THE SELLER	1
	The Seller and His Obligations—Analyzing the Salesman—Personality—Look Well as We Sell—Clean Physically and Mentally—Clothes and the Man—Manner Not Mannerisms—Sincerity—Other Details and Requirements—Brains and Character Rule the World—Honesty—Knowing What We Sell—Know Your Man—Three Constructive Qualities—Keep on "Pounding"—Doing All and Doing It Well—Good Judgment—Talent Is Something, Tact Is Everything—Well Chosen English—Memory Is Power—Imagination, the Picturing Power of the Mind, the Great Constructive Factor—Kindly Consideration—Wastefulness One of Our Weakest Spots—Summary of Qualifications.	
II	THE BUYER	39
	The Senses and the Nervous System—Muscular Response—Mental Equipment—Memory and Its Laws—Coordination and Knowledge—The Process of Reasoning—Feeling and Feeling-tone—Instincts—The Appeal to the Emotions—Tastes, Capacities and Interests—Desires and Their Effect—The Importance of Habit—Mood and Temperament—The Buyer and the Things to Which He Responds—Detecting Qualities and Characteristics.	
III	MAKING THE SALE	106
	Importance of the Introduction—Obtaining Attention—Ways of Gaining Attention—Value of Attention Reflected in Results—Different Kinds of Attention—Importance of Permanent Attention—Feeling-tone and Attention—Appeal to Instinct—The Appeal to Habit—Ways to Arouse Interest—Desire and Its Place in the Sales Process—Volition in Selling—The Power of Suggestion—The Sales Argument—Regarding Our English.	

CONTENTS (Continued)

CHAPTER PAGE

IV THE SALES DEPARTMENT 146

The Sales Office—The Sales Organization—Receipt and Filling of Order at Wholesale—Report of Orders Shipped—Sales Office Forms and Records—Hiring Salesmen—To the Salesmen Applying for a Position—The Training of Salesmen—Working with a Definite Aim—Relation of the Salesman to Advertising—Credit and the Salesman—Watching the Credits—The Sales Convention—Selling by Telephone or Telegram—The Sales Letter—The House Organ—Cooperative Advertising—Establishing Confidence.

V THE SALES LETTER 187

Letters Living Personalities—The Conversational Tone—The Appearance of the Letter—Making the Sale by Letter—How Obtain Interest—Creating Desire—Making the Letter Get Action—Following Up with the Letter—The Sales Letter and the Salesman.

VI SELLING AT RETAIL 208

Investigating before Locating—Locating the Store Itself—Sales and Profits—Selling Efficiency—Discipline—Originality—We Must Keep in Mind the Fact That in Selling We Are Fundamentally Appealing to the Instincts—Your Salary Is Paid for Closing Sales—As a Last Resort Introduce the Customer to Some One Higher Up—Know the Location of Other Departments in the Store—By Being Methodical, Taking Advantage of the Quickest, Most Efficient Way of Doing Things the Salesperson Adds to His Ability—The Better Retail Salesman Should Know Something of Store Management, Window Display, Advertising and Other Incidentals of the Retail Business—The Value of Window and Store Display—Window and Store Display—The Importance of Lines and Surfaces—Appearance of the Window and the Store—Some Significant Things—Organization of the Large Retail Store—The Conference is Valuable—Details of Modern Store Policy—Attitude toward Competitors.

CONTENTS (Continued)

CHAPTER PAGE

VII A KNOWLEDGE OF THE FUNDAMENTALS OF ADVERTISING MAKES BETTER SALESMEN 248

Science in Advertising—The Specialists—The Great Work of Advertising—Before We Advertise We Investigate—The Importance of Copy in the Advertising Campaign—The Important Matter of Knowledge—Knowledge of Local Conditions—We Have Come Now to the Point Where We Must Write Something That Will Be Seen, Read, Believed and Remembered—Obtaining Attention in Advertising—Mechanical Helps in Holding Attention—Obtaining Permanent Attention—Feeling-tone Always Fundamental—The Value of Surroundings—Striking the Responsive Chord—The Picture and the Suggestion—Imagination Plays an Important Part—Language: the Style and Force of the Advertisement—Fixing the Impression—Provoking Response—Advertising and Demonstrating with Moving Pictures.

INDEX 293

MODERN METHODS IN SELLING

Modern Methods in Selling

CHAPTER I

THE SELLER

This is an age of intensification. It is a time when new theories are constantly being worked out and put into practise; when we are striving to get the most with the least effort and expense; when idle talk and false motion are being minimized. Inefficiency loses millions each year, therefore men in all lines of business, who are awake and grasping the importance of the situation, are studying their employees, watching and recording their movements, and their talk if they be salesmen, rearranging them, readjusting their machinery, supplying them with different, more effective equipment, and improving their working environment; and all of this to overcome some discovered lost or false motion. Mr. Lewis describes the modern tendency well in *Getting the Most out of Business*,

"There is no doubt that the entrance of the scientific spirit of the engineer into all the administrative and executive functions of business has changed the rules of the business game. Business will never again be the same comfortable, happy-go-lucky, go-as-you-please occupation it once was.....Should we not make a careful, scientific study of man in relation to the work he does—whether it be in the factory, salesmaking, advertising, keeping a set of books, operating a typewriter, or sticking stamps on a wrapper? Out of that study will come facts which we may classify into general laws and principles, the skilful application of which must make the most successful business, the most contented workers, the most peaceful and prosperous society."

Selling has not been overlooked. Certain scientific principles have been and are being found to govern it. Certain laws may be applied to it, the application of which improves and intensifies it. There is a most efficient and satisfactory way to sell, and the good business men of to-day are, by constant study and experiment, gradually finding and applying it.

As I have already stated in the introduction to this volume, the general relation between wholesale and retail selling in person, sales letter-writing, advertising, and even window and store display, is so close that the principles

that apply to one will in a general way apply to the others, even though their method of application will be different. The underlying mental steps of the process are the same; the elements entering into the making of the sale are the same. Stripping the sales process of everything but the fundamental, what is the sale? How is it made? Who and what are involved in it? The sale, whether it be made by personal call, over the counter, by letter, advertising, or display, may be reduced to this simple transaction;——a contract between two people, one to sell and the other to buy some tangible or intangible thing. I, the seller, may be the manufacturer selling at wholesale, or the salesman representing him. I may be the retailer operating the store in a certain city, or I may be the salesman behind the counter. I may be the sales letter-writer in the office of the manufacturer or retail dealer, or possibly in my room at the hotel as a salesman. I may be the advertising man, appealing to groups rather than to particular individuals, representing either the wholesale dealer or the retailer. No matter what may be the branch of selling under consideration, we have four very apparent angles from which the subject must be analyzed and improved.

First the seller must be considered; and we shall vary here from the usual treatment of this angle and consider the seller in his broadest sense. Primarily the manufacturer or jobber or retail dealer is the seller, and coming secondarily is the salesman, or sales letter-writer and advertising man or other representative. We can not hope to get very far with the buying public unless the maker or manufacturer or dealer is right in his methods and policy. The ability, and energy, and accomplishments of the salesman or other representative will be of no avail unless what is back of him measures up to the usual demands. Nor can we hope to get very far unless the salesman or other representative has the personality and ability demanded in his line of work. He goes out personally, or, if it be the advertising man, in the advertisements of the company, to educate, and appeal, and represent. His virtues are the company's virtues, his failings the company's failings.

Now let us consider the second angle of the sale. How about the buyer? The sales manager, the advertising man and the salesman are most directly concerned with the buyer. Whether he be the individual on whom the salesman calls personally, or the group of individuals to whom the advertiser or letter-writer or

window-dresser is appealing, the knowledge of the buyer which must be gathered is substantially the same. It is the knowledge of human nature; the knowledge of men and their make-up; the knowledge of instincts, interests, emotions, desires and habits, and how to appeal to them; and with this the knowledge of character as expressed externally,—all important to the representative who must come into contact with the public, the great group of buyers.

It will be conceded that we can not go very far in selling unless the thing to be sold comes up to required standards. Has it the quality? Is it designed to meet the needs of the greatest number possible? Is the price reasonable? Can it be marketed profitably? Are transportation facilities favorable? Can we meet competition in giving service? Have we a name that means something,—descriptive, easily pronounced and remembered? How about the containers, sacks or packages: are they of good design? Do they serve as good or poor advertisements? If it is an intangible something like insurance, does what we have to offer measure up to what is being offered by competition? We must have something worth while, put into attractive form, otherwise our selling scheme breaks at this point.

With the seller and the thing to be sold in proper form, and with proper knowledge of the buyer, we have the remaining fundamental to be analyzed;—playing the game, making the sale. What is the most effective, most economical way to influence the buyer to purchase what we have to sell? Having all of our other equipment in proper order we center again on the buyer in making the sale. From whatever branch of selling we may be working we shall find that the mind must be appealed to through the senses and instincts, through the great group of interests, the emotions, motives or desires, and habits.

THE SELLER AND HIS OBLIGATIONS

From the point of view of the seller, let us mention some of the obligations which rest on the manufacturer or jobber or retail dealer if he is to expect the best from his representatives, the salesman or advertising man. As we have stated, he is primarily the seller, and must be considered with the salesman or advertising man in the analysis of the subject. He must be ready to give a square deal. There must be honesty in the manufacture of his product, giving quality where it is due. His policy must be equitable, impartial, tactful and reasonable.

The public knows quality and demands it. The manufacturer can not expect his representatives to build up a lasting business without cooperation in this respect. If I were a salesman again I would not consider wasting my time in the field for any concern that did not have sufficient respect for this fundamental. It is needless to say another word about quality.

And the importance of service seems to be so well established in business that it need only be mentioned. It must be a good, dependable, keeping-the-word-good service, whether it be at the factory or store, transportation, or that which is necessary in the use of the thing being sold. The essence of service in the cement and plaster business is to deliver when we say we will, and when the dealer must have the product. The essence of service in the battery business is keeping these sensitive batteries inspected and in proper condition to give satisfaction.

The modern public looks for character everywhere: in the salesman, in every department from the sales to the credit, in the personnel, in the product. The department heads, employees, the factory, offices, store, advertising, correspondence,—everything that is in any way associated with the seller's name must have character.

The seller is under obligation to give his representatives who deal with the public the very best ideas that have been gathered from the experience of others in the business. It is a poor sales office that is not a clearing house for the experiences and suggestions of the many representatives in the field, office and plant, or in the store. The best should be selected and used. The engineer is doing it every day, and has been for years;—selecting and using the best;—standardizing. Our progressive selling organizations have been standardizing just as carefully every step and every word in many cases, that the salesman is to take or say. The salesman is neglected to-day if we do not give him the benefit of standardization, a highly constructive word in selling. If the organization for which I happened to be working was not standardizing this would be one of the first suggestions that I would have to make.

The sales manager should relieve the salesman of all the preliminary work possible, and let him devote his efforts to the higher work of closing sales. As we shall show in the chapter on Sales Management, good advertising and good strong sales letters will in many cases do the work of a salesman, even to the closing.

Their cooperative value surely can not be overlooked.

The salesman is entitled to the benefit of the contact with the trade of those in authority, who are inclined to be cold and indifferent toward the trade, letting the salesman do all of the handshaking, all of the associating, all of the negotiating, all of the adjusting, all of the thanking. Even a letter from the president may be advisable at times.

In another chapter we shall go into the subjects which have already been mentioned, and furthermore into such others as quotas, bonuses, special training, the benefit of all of which the salesman should have if the manufacturer is to obtain the most satisfactory results.

ANALYZING THE SALESMAN

The salesman, being the personal representative of the manufacturer or jobber or retailer, is the man on the ground constantly in touch with the customers, carrying to them and making known the goods or offer, the service, policy, character,—everything. He must make a good impression. If he makes a bad one, the company back of him makes a bad one, because it is judged by the salesmen it keeps. Let us

see what combination of things we must look for in the good salesman; in the better salesman, let us say.

PERSONALITY

Personality comprises all of the positive and negative qualities of the salesman; all of his good and bad points. These positive qualities develop the radiating force which exerts power over others, making them give attention and listen and think and do. It is said to be the greatest power in influencing others, and is measured by the degree of good personal appearance, education, manner, expression, character, and other qualities possessed by the individual. It can be developed, both body and mind being involved in this development. Developing the body, training the mind, correcting the manner, beautifying the expression, strengthening the character,—all of these improve the personality. The physique, the head, eye, features, voice, carriage, appearance, demeanor, language, judgment, reasoning power, courage, faith, memory, tact, perseverance, initiative, energy, all of these are details of personality. The big man will have many of these qualities well developed; the little fellow will have a fewer number not so well developed.

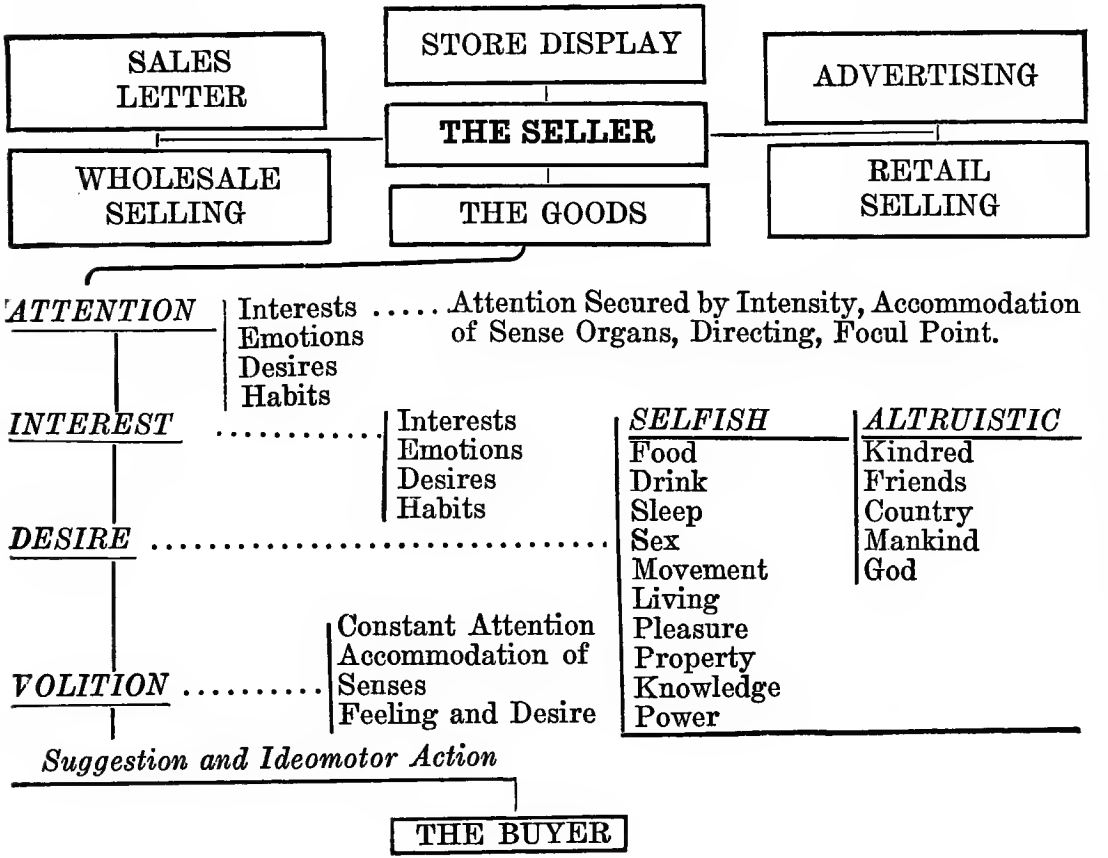


DIAGRAM OF THE SALES PROCESS

Give me the salesman who is honest, who has good carriage, self-respect, confidence, grace. Let him have a good handshake, a quiet natural smile with depth of character behind it. Let his manner be easy; let him have poise, be cool and calm, and latently forceful. Let him use good English, articulate well and pronounce properly. Let there be magnetism in his well-modulated voice,—expression, and sympathy, and sincerity. He must know human nature. He must have forceful yet not violent gesture, with enthusiasm that is deep and radiating and not boisterous, and with persistence that has the real sticking quality yet does not become a bore. If this is the description of a standard and not a man, the nearer we get to it, the better salesmen we shall be. Every organization wants men equipped to go higher. The salesman who has a high standard for his goal will be one of those first to receive the call to executive work.

LOOK WELL AS WE SELL

Of the details of personality which we have mentioned, some appeal to the eye, others to the ear, and still others generally to the senses. Personal appearance appeals to the eye. It is

through the eye that the first impression is made, and some men are very far-sighted when salesmen are waiting for an interview. Appearance is therefore very important. In its broadest sense it comprehends cleanliness, dress and manner, the latter being closely allied with expression, carriage, walk, poise, cheerfulness, politeness, enthusiasm, sincerity, determination and self-control. If one has poise this surely benefits the general appearance. Similarly if one is cheerful this benefits the appearance by making it more pleasing; and so with politeness, and enthusiasm, and self-control.

CLEAN PHYSICALLY AND MENTALLY

Even though it may seem unnecessary to many of us, before writing about any other characteristic of the salesman we must dwell on the extreme importance of keeping clean. If we have not the ambition and energy to keep clean we are unfit even to consider the subject of selling. Let us by all means keep clean. The human body well taken care of is an object of admiration, but neglected becomes a thing of disgust. Our bathing frequently and thoroughly can not be neglected. The head and hair should

be looked after, and the ears and teeth and nails. These are a perfect mirror of general cleanliness. If it is important to keep the body clean it is of greater importance to look after the mind,—the directing force in this work of selling. Let us not fill it with the vile and filthy instead of the good and wholesome and noble.

CLOTHES AND THE MAN

Clothing does have its place in making the man or woman. Clothes are fairly true advertisements of personality, and should be well selected. Over-dressing is as faulty as under-dressing or dressing poorly. Wearing good, sensible, well-fitting clothes and keeping them in good condition is an indication of refined taste, of value to the salesman. There is nothing like cleanliness and proper dress to inspire confidence and agreeableness. Chesterfield puts it quite strongly but truly when he says: "I would rather have a young fellow too much than too little dressed; the excess on that side will wear off with a little age and reflection; but if he is negligent at twenty, he will be a sloven at forty, and worse at fifty." A man came into my office a short time ago soliciting advertising. He was decorated with rings, and

fobs, a heavy chain, a suit of large, loud checkered pattern, and spats. He did not get an order for advertising. When we have good-looking, sensibly made clothes we feel like real men. When we are over-dressed, or under-dressed, or shabbily dressed, we feel uneasy, self-conscious, cheap and dissatisfied with ourselves. We are distracted and can not get down to business.

MANNER NOT MANNERISMS

If the salesman has poise of bearing, good graceful carriage full of dignity and sincerity, and a handshake that is sincere and electric, these are the deep and silent qualities of manner. If he has the effervescing, radiating qualities of cheerfulness, politeness, courtesy and enthusiasm he has the life-giving qualities of manner; the qualities of the "southern exposure"; each a sunbeam of personality. Cheerfulness and enthusiasm are contagious. They help to put one in the receptive mood for listening and buying. If the salesman has a genuinely cheerful smile you smile with him. If he is really courteous and polite, you are courteous and polite; you can not ignore him. Edmund Burke says:

"Manners are more important than laws. Upon them in a great measure the law depends. The law touches us but here and there, and now and then. Manners are apt to vex or sooth, corrupt or purify, exalt or debase, barbarize or refine us, by a constant, steady, uniform insensible operation like that of the air we breathe....according to their quality they aid morals; they supply them or they totally destroy them."

It is important to study ourselves and overcome any detracting mannerisms. The salesman who is loud and boisterous makes a bad impression. His manner should be refined and subdued. He must overcome nervousness, keep his head, face and eyes settled, and his hands and feet at ease. Sniffing, hacking and coughing must be avoided. They detract; they are annoying if not repulsive.

SINCERITY

Another characteristic which is closely associated with appearance is sincerity. A selling talk will have no force without sincerity. We should have the appearance of being in reality what we are professing to be; of intending precisely what we say or what we appear to intend. Sincerity is honesty in our actions or preten-

sions. It is saying what we mean, and meaning what we say. The appearance of insincerity creates doubt, lack of confidence, suspicion, any one of which conditions is sufficient to prevent a sale.

OTHER DETAILS AND REQUIREMENTS

In what is regarded as the order of their importance many other details of personality and practises or requirements of the successful salesman should be mentioned here. Character, knowledge of goods, knowledge of the buyer, such qualities as resourcefulness, originality, persistence, thoroughness, tact, the use of English and memory are indispensable. No two minds will agree on the order of importance. The order in which they are mentioned here seems to be reasonably logical.

BRAINS AND CHARACTER RULE THE WORLD

This is Wendell Phillip's expression. In selling we shall put character first, and particularly in personal selling. We are always looking for character. We must measure up to a certain standard to be somebody. Character is moral force; a union of the qualities which

distinguish a person. It must be above reproach in the salesman or he is to have a cold reception. It must have depth and quality. How does it differ from personality? It may be good, yet the personality may not be striking or forceful. It may be bad and yet the personality may be scintillating with vim and magnetism. Personality is the character plus the other qualities which we manifest outwardly, such as appearance, carriage, voice and language. Character is like the trunk of the tree without the limbs and leaves, and personality is the tree with all its decoration. Developing character involves a close and constant examination of the inner self with respect to what is right and wrong; supplying the mind with what is good,—lofty thoughts and high ideals, and training the will to mold these thoughts and ideals into good clean habits. The man of good character has courage and will power; he is ambitious yet patient, sincere and firm yet kind, modest and unpretentious.

HONESTY

If we are to minimize litigation and create the greatest stability in business we must have honesty. That a man's word is as good as his

bond should be the rule rather than the exception. The purpose of a written agreement should be to serve as a permanent record of an honest understanding, rather than as a means of protection against dishonesty. When the business man lives up to his obligations in this respect, greater confidence will be inspired in the business world. Credit will be extended to the very limit. Business will be transacted without suspicion, without misrepresentation, without one taking advantage of another. There will be no opportunity for the salesman who is tricky. There will be no partiality; no subterfuge; no unfair competition. Good value will be received in every case. The salesman must be a factor in maintaining such a condition. He can not afford to do otherwise since dishonesty may make his first sale but will prevent his making another, and the law of diminishing returns will work overtime against him. Honesty—the best policy—is a good business proposition. Successful selling is largely a matter of pleasing and we can not please unless we are honest.

KNOWING WHAT WE SELL

Assuming that the salesman has a reasonable degree of intelligence, next to character and

honesty it seems natural to place knowledge of the goods or proposition which one is to sell. If a salesman expects to interest any one in the goods or articles which he has to sell he should know all about them. Knowledge of every detail of manufacture from gathering the raw material to turning out the finished product should be at his command. The story of the manufacture of almost any article is interesting to one who does not know it. The designer or engineer has a very good reason for every piece or part and the arrangement thereof in his automobile or tractor. If we are selling leather we can get volumes of valuable and interesting information on Morocco, pigskin, lizard, alligator, walrus and other kinds. We should know their differences, the classification of leather, preparation for tannage and tannage itself. We should know chamoising, currying or dressing, dyeing, facts about quality, substitutes and their preparation,—everything. If it is cement or plaster we should know it from the time it leaves the quarry in the form of rock until it is carried along the belt into the railroad box car. It is important to know what points in the article will please the customer; what the customer usually looks for in the goods. If it is a traveling bag the customer

will want to know that it opens wide, keeps its shape by having wide gussets; that the clasp opens and closes easily yet will not burst open, that it has good leather, good lining, is well made and will wear well, that it has good inside pockets and is in every way suitable to the use intended.

Knowing the details of the articles of one's competitors is almost as important as knowing the details of one's own proposition. Every buyer is a man of comparison. In his examination he has in mind some other similar article that he has seen. Knowing the competitors' products gives the salesman the opportunity to prevent argument by anticipating the objections of the buyer; raising his objections for him and answering them. I, as a salesman, should know that the cost of my insurance is less per thousand than that of my competitors for the same protection. If the car which I am demonstrating will climb the Rockies without overheating better than other cars will do it, I should know this. If the tractor which I am demonstrating will do certain necessary work better and at less expense than other tractors will do it, I should be aware of this.

Mr. Opdycke in (*Shaw's*) *Advertising and Selling Practice* has this to say:

"Knowing the goods is a heavy requirement. It implies that the student must be a student of production and of all the processes brought to bear upon the raw materials until they become the finished article of sale. If it is a piece of wool, he should know it from the sheep ranch to the merchant's display cabinet. More than that he must know what reputation a certain brand of woolens has made for itself; he must know the relation of weights and measures to qualities; he must know how to display even an ugly garment in an attractive way. There are salesmen who can hold a piece of silk over their arms, draping and plaiting it with magic swiftness, in such a way as to display all of the possibilities of shading and flexibility of texture, and they can accompany the demonstration with an intelligent and interesting talk about the commodity."

KNOW YOUR MAN

Do you know men and how to deal with them? Business brings us constantly in contact with men, negotiating, describing, appealing, getting them to reason our way. Every hour of the day we are meeting them, taking up the details of business in which there is mutual interest. Living and doing business necessitates our being constantly in touch with one another. How very important therefore that we know men. By being thrown into contact with them we are

bound to learn much about them. We can learn much also by a study of the writings of those who have made a scientific study of man, such as the psychologist and the character reader. In a later chapter on The Buyer much will be said about man in general and how to deal with him in business.

THREE CONSTRUCTIVE QUALITIES

Next in the order of importance to the salesman we might mention the qualities of resourcefulness, originality and initiative. These qualities well developed may place the salesman in a class by himself. The resourceful salesman has his situation so well in hand that every means to which he may resort in order to meet a condition, is at his command. All of the circumstances of which he may take advantage are known to him, because he has searched, and studied and found them. If he is original he is able to take the information he has gathered and accomplish things in new ways, different from the ordinary. This gives his work distinction and individuality. It separates it and the salesman from all of the other work and all of the other men who do things in the usual way. Initiative gives him the driving force to go

ahead and do without having to be led. It directs him to act without depending too much on the instructions of superiors. Instead of depending on his superiors, they are depending with full confidence on him to meet situations as they come up. Resourcefulness gathers the knowledge of the thing to do and the means of doing it; originality causes it to be done in a new way; and initiative directs the doing on one's own responsibility. The man who works like a machine doing only the things he is told to do, and as he is told to do them, is well qualified in this way to be a locomotive engineer, not a salesman. He should be working by train order.

KEEP ON "POUNDING"

The qualities of persistence and determination require unusual exercise of the will. Tempered with good judgment and tact they are the qualities which intensify our personal selling to the most effective degree. They make the sale if it is possible to make it. A salesman may have a good number of the other qualities of a successful salesman, but without persistence he will fail. He will give up too soon. With persistence he will win. This is the quality which makes one try again, and again, and

again, and then once more. Can any other quality worth more to the salesman be mentioned?

DOING ALL AND DOING IT WELL

Thoroughness! Do we grasp its full meaning? Doing all, everything there is to be done, and doing it well,—that is thoroughness. Many men even in business have never been able to grasp the meaning and value of thoroughness. They have not realized the importance of getting to the depths of the problem before them. All of the facts have not been gathered carefully. Decision was made on findings and evidence that were uncertain, involving too much guessing. The importance of looking after details was overlooked. Matters which were started were not properly followed up. If we will be thorough we must think carefully; learn first what information is needed and obtain it; what is to be done and do it. If a salesman is to make an adjustment or an investigation, his work must be complete. His solicitation should be thorough, selling every dollar's worth possible and yet not overselling. His prospective business should be kept well in mind and carefully followed up. Thoroughness is partic-

ularly important to the salesman whose visits are infrequent. Dealers have a custom of using, sometimes for years, a certain brand, advertising and promoting it alone. They become attached to the brand and the company which sells it. To convert them to the use of another brand requires unusual ability. There may be no advantage in price or quality. These situations require, with patience and perseverance,—thoroughness. Much must be accomplished during the call, and much thought must be given each case between infrequent calls. Knowing the attitude of every customer, how favorable or unfavorable he may be, and of every prospect, is most important. Taking advantage of the knowledge which we are able to gather with study, keeping the office advised for proper cooperation, and carefully following up each case, is thoroughness.

Very good results can be obtained by writing letters to those who have made promises or are apt to make them, and to those who for other reasons seem to be good material to work on. The salesman can do this best by carrying a folding typewriter and a supply of company stationery. Carefully kept memoranda will enable the salesman to determine when to write and what to say. Well written letters of this

kind are effective. I have seen them secure new customers, and help secure many others. Buyers appreciate unusual effort and energy properly directed. Among salesmen, letter-writing of this kind is unusual and original and therefore appealing.

GOOD JUDGMENT

In the group of requisite qualities, judgment would seem to come next in importance. According to the dictionary, it is the faculty of judging or deciding; the mental power concerned in the formation of a decision; hence the faculty of deciding correctly. Good judgment—the master quality of the successful business man! Great because it comprises so much. It requires knowledge; knowledge of goods, of things human, of the details of making the sale, of the point of view of the buyer, of everything associated with the thing to be judged. This knowledge must be as complete and true and relevant as the evidence of our courts, and the judgment as carefully passed. There is no jumping at conclusions, no guessing. There are thoroughness, examination from every angle, careful weighing, careful selecting and eliminating, true understanding.

Every manufacturer will have respect for the salesman who has good judgment. This salesman's recommendations will carry weight. The business day is a day of judging, of deciding what is the thing to do in the many different cases presenting themselves hour after hour. What a valuable faculty to develop!

TALENT IS SOMETHING, TACT IS EVERYTHING

Following judgment we might well mention tact as next in importance among the salesman's qualities. W. P. Sargill has said that "talent is serious, sober, grave, and respectable; tact is all that and more too. It is not a sixth sense, but is the life of all the five. It is the open eye, the quick ear, the judging taste, the keen smell and the lively touch; it is the interpreter of all riddles, the surmounter of all difficulties, the remover of all obstacles." It is the ability of saying and doing exactly the right thing at the right time. Like the governor on an engine it keeps the salesman going at the right speed, warns him when he is going too far, keeps him from saying and doing the thing that may do him harm. When a customer is busy, tact says, "Wait!" When his frame of mind is not favorable it finds the circumventing way. When

the tendency to approbation is pronounced it prompts him to pursue this tendency. If benevolence, or cautiousness, or conscientiousness should be appealed to tact comes into play. If the buyer is irritable tact finds the way to make him smile. If he is bluffing it will bring him without offense to sincerity. It works well over the stubborn and the impolite, over the brag or the know-it-all. It is an antidote for maliciousness and pessimism and suspicion.

WELL CHOSEN ENGLISH

Of the many gifts which the salesman may possess, or qualities he may develop, the most convincing and deep reaching is that of being able to use good, pure, forceful English and convey it in a well-trained voice, with perfect articulation. Good English fits in everywhere, appeals to every one, cloaks a multitude of negative qualities, is entertaining and pleasing, and commands respect and interest. With it the orator, and the writer, and even the advertiser, sway millions. A lifetime might be devoted to this subject alone; hence the necessity of giving it thorough consideration. Any salesman can accomplish much toward perfecting his English by proper study and practise.

By all means let the English be good enough to convey our proposition to those whom we expect to sell, in clear, forceful and pleasing language. The character of the trade solicited may make this element of much greater importance in the list of the salesman's qualities than it is given here.

MEMORY IS POWER

One of our early writers spoke of memory as the "cabinet of the imagination, the treasury of reason, the registry of conscience, and the council chamber of thought."

The mind has both a conscious and subconscious field. Back in the subconscious field we store every idea, sensation, impression or act to be recalled at some future time on account of desire, association, need, distress or other possible cause. In our study of the buyer in the next chapter we shall learn the importance of the association of ideas and of the will in memory; of proper attention, etc. The laws of memory and the methods of improving it will be taken up at that time.

Remembering the name should be cultivated by the salesman. The ability to call a man's name whenever and wherever we may see him

is appreciated and has a good effect. The effect is spoiled, however, unless we give the name correctly. It is important to register the first impression of the name correctly by getting, if possible, the spelling and pronunciation; repeating the name and associating it with the person while we talk with him and after we leave him. Much of the work of memory can be taken care of by carefully kept memoranda, yet innumerable occasions will present themselves when the salesman will be required to exercise memory when records and memoranda are not available or when they can not be resorted to.

I have found it difficult to have salesmen realize the importance of the proper pronunciation and spelling of a name. Salesmen's reports should be the most dependable records of the office. The sales manager will not easily forget the embarrassing experience in sending out correspondence to "Dear Mr. Lourdes" instead of "Mr. Luers." What might have otherwise amounted to a good personal letter is now made flat and weak because the name is incorrectly given. And if the given name is "John," let's have it "John" on the reports and not "James,"—a detail just as important.

IMAGINATION—THE PICTURING POWER OF THE MIND—THE GREAT CONSTRUCTIVE FACTOR

Before an artist can succeed in crystallizing a great picture on the canvas, his mind must work out vividly every detail of form and arrangement. Before the inventor can succeed, he must first picture mentally his machine and its parts, then draw them, and finally prepare his model. A vivid imagination is a great constructive power. It helps to plan the sales policy; brings before the mind the situation with which the salesman and sales manager must contend; the territory, people, article or goods and other elements. It enables the salesman to place himself in the position of the buyer, to gain his point of view. We shall find later how we can imagine sounds, smells, tastes and other sensations without the aid of external sensory stimuli. We can see things entirely through the mind's eye. A well-trained and well-controlled imagination is very valuable to the salesman.

KINDLY CONSIDERATION

Thoughtful, intelligent people have no respect for the malicious critic, he who tramples on the

opinions and beliefs of others. The political, religious and general beliefs and opinions of others should always be respected. Criticism of others on account of their appearance or peculiarities should be spared. These little poisoned darts of comment may strike the vital spot of one for whom they were least intended. Let us try to carry only favorable criticism as we sell, even—or particularly—in references to our competitors. If a special occasion should call for comment let it be fair and respectful. Let these matters be treated delicately. We shall help to make the world a better world to live in if we always have due respect for the other fellow. If his religion is his consolation let him worship as he pleases. Give him a contribution toward his church even though you do not believe as he believes.

WASTEFULNESS ONE OF OUR WEAKEST SPOTS

Mr. Edison adds to this, "that the time has come when any man who lays claim to business ability will have to keep the question of waste before him constantly." We are watching our credits and collections, and our buying. We must watch for waste in our selling. It must be minimized. We can not afford to take or-

ders at any cost, looking for tonnage only. The expense account must be kept in mind. How much is it costing us to get this business? Is it going to help dividends? Are we getting it as economically as possible? Is our route sheet planned to secure the minimum of expense? Am I getting the most out of my limited time? Can I not get along without all of these cigars and all of this entertainment? Am I spending the company's money as I would spend my own? These are some of the questions which we must decide for ourselves. Restraint and economy are excellent practises, very highly regarded by employers.

SUMMARY OF QUALIFICATIONS

Charles Lindgren in *The New Salesmanship* says: "With intellect and emotion and fair activity we have an excellent salesman. The salesman well balanced in these faculties is ideal. He can change from mood to mood, emotion to emotion, thought to thought, with the facility of a moving picture. One moment he is grave, the next gay; another moment he is convincingly firm, the next moment diplomatically yielding. Another moment he is outpouring a perfect torrent of argument, the next he is

so persuasively soft and low that he thrills his hearers with a pleasurable emotion"—a description which may seem a little idealistic, yet undoubtedly is true in a general way to actuality.

Mr. Nathaniel Fowler in *Practical Salesmanship* summarizes the good salesman's qualities in this way: "The proficient salesman knows his goods, has the ability to describe and talk, has a general knowledge of business principles, has a working familiarity with the methods of his competitors, has the ability to talk something besides shop, and the ability to diagnose a customer, has a good disposition and has the ability to please the customer as well as the concern."

I would add that he must be a thinker, a right thinker, like the boy who told Mr. James J. Hill that his order was wrong. The thinker is the constructive man, the one who sets up new standards, finds new ways of doing things. He is the inventor, the lawmaker and the successful business man. As a well-known Chicago lumberman said before a salesman's convention of the Southern Pine Association in St. Louis, "If he (the salesman) is going to exchange a standard commodity for cash, intelligently and at a living profit, he will have to think to do it,

and he must think in capitals, for to-day industry and perseverance, admirable qualifications as they are, are quite as likely to lead their possessor to the poor-house as to success. He must put his thinking machine in high gear and keep it there all the time to keep pace with his competitor."

Unless the salesman thinks, his collection of good qualities will be as useless to him as a factory without a manager. The mind must be constantly in action, thinking, comparing, deciding, reasoning,—carefully and correctly. Proper thinking will increase the salesman's market value in the business world.

"You want success," quotes Doctor Blackford from some unknown but wise author. "Are you willing to pay for it? How much discouragement can you stand? How much bruising can you take? How long can you hang on in the face of obstacles? Have you the grit to try to do what others have failed to do? Have you the nerve to attempt things that the average man would never dream of tackling? Can you cut out luxuries? Can you do without things that others consider necessities? Can you go up against skepticism, ridicule, friendly advice to quit, without flinching? Can you keep your mind on the single object you are pursu-

ing, resisting all temptations to divide your attention? Have you the patience to plan all of the work you attempt; the energy to wade through masses of detail; the accuracy to overlook no point, however small, in planning or executing? Are you strong on the finish as well as at the start?" Vital questions, these, to one who seeks success in any line.

If the man with a drab personality is making good and another with a brighter and better personality is failing, there is a reason. The strong qualities of the one far outweigh the weak. The salesman who seems to measure up to requirements but fails in his work is weak in some vital part. He may not have the perseverance. Possibly he is not well enough acquainted. He may be obnoxious for want of patience. He may lack good judgment or tact. Some important detail of personality is negative or wanting. These little details of personality are like the jewels in a pin. They must all be there in their place or a negative effect is produced. If one little jewel is gone its absence reflects on all of the others. So it is with the salesman, he is at his best when all the positive qualities are present acting in harmony. His mind then calls into play each of these qualities as it is needed. If it is cheerfulness, out

goes the warm and vigorous hand for the handshake, and the natural and friendly smile. If it is the exercise of judgment, it is a good and dependable judgment. If it is determination, it is the calm and cool determination which does not antagonize. A carefully thinking mind is directing every move, watching, questioning, driving one point and then another, using all of the power of the personality to get results. Knowledge, personality and action are the trinity that means success in selling.

CHAPTER II

THE BUYER

The buyer is a very important factor in the business world. According to the support which it obtains from the buyer, business stands or falls. Collectively he regulates the markets of the world, representing the universe of consumers. The individual, family, corporation, special group, farmer, business or professional man, college man, the girl graduate or bride,—man, woman and child in every class are represented in the buyer. Every one is at some time a buyer, for if one will live one must buy.

Stability in business demands that the relation between seller and buyer be of mutual advantage. The resulting constant demand from the buyer offers an attractive field for the seller which results in competition, very keen at times, always keen enough to require knowledge and experience of the highest degree in order to survive in its wake. Since the buyer is the channel through which the dealer must work; since the volume of sales, frequency of

turnover, and consequent amount of profit depend on him, it can be seen how important is the study of the buyer. If the seller is to obtain his share of the business of a community he must be sufficiently acquainted with the buyer to know how to appeal and persuade to the point of action.

How shall we study the buyer? When I was learning to drive a car an instructor was sent to give me the elementary ideas of operation. At first I did not get along very well because the instructor worked something like this: "Push down on your left. Now release your left and down a little on your right.—Push that lever forward and press on your right.—Push this and pull that, and turn this and turn that."

"Now wait a minute," I said to this fellow. "Just let me know a little of what I am doing here. What is this lever that I am pushing, and what is that pedal and that rod, and just how do they work?" We rested for a while and he explained the gears and their different positions, the accelerator and its effect on the engine, the release clutch, the differential, transmission, spark and gasoline feed and their functions. After that I learned to drive because I understood the reason for each move-

ment and the effect it had on the operation of the car.

We sales managers and salesmen, and others interested in the different branches of selling, have the problem of getting the buyer to work as we would have him. We have a lever to pull here and an accelerator to push there. We have the problem of persuasion and of effecting volition or action; of getting him to buy our goods. Are we not much like a man learning to drive an automobile? Will we not handle this driving, or leading or persuading or action-producing proposition much better if we know the nature of the buyer's engine, his different control levers, his carburetor, his transmission and differential?

Man physically and mentally is constituted the same, wherever he may live in the civilized world. He has the same kind of body, the same kind of nervous system, the same senses, instincts, feeling, in general the same desires, habits, interests and emotions. He has a mind endowed with powers of perception, memory, imagination, reasoning and willing. Since these characteristics are common to man, let us for the sake of simplicity select in our mind an individual buyer and examine him. What do we find? We find that the body of the buyer

is the instrument through which the mind exercises its functions. Like a very complex and intercommunicating telephone arrangement is the nervous system with its central office the brain at the top. The brain is a mass of white matter with gray embedded in it. Covering its folds and fissures is the very highly sensitive cortex, below which, and embedded in the white is the gray matter which constitutes the subcortical centers, or junction-like apparatus of this telephone arrangement, connected by nerve fibers with the cortex. Another important part of this arrangement is the trunk line called the spinal column which is connected also by nerve fibers with the brain and with the muscles and surface of the body at myriads of points.

THE SENSES AND THE NERVOUS SYSTEM

Directly connected with the nervous system is that wonderful camera, the eye, which takes pictures automatically of objects which are presented to it. The samples which we carry, the automobile which we are demonstrating, the goods which are on display in the store or window, are all photographed by the eye when they come within its range. The salesman himself and his movements and appearance are pic-

tured by the eye and through it make impressions favorable or unfavorable. Connected also with this nervous system is the ear whose drum is thrown into vibration by different sound waves which produce a series of movements resulting in excitement of the auditory nerve. The words of the salesman, the ring of metal in an article, the tone of an instrument, the sound of a motor, all come to the buyer through the sense of hearing. And so the nose with its olfactory nerve receives the sensations of smell and, with the aid of taste and touch, interprets them for the buyer. Many an article such as drugs, teas, coffees, perfumes, fruits, which have their characteristic odor, is purchased with the aid of this convenient sense. The power of touch reaches to every part of the body's surface. It too is a powerful aid to the buyer in determining the character and quality of goods or articles which he examines. Taste, centered in the tongue, is assisted in its work by smell and touch, the smell of the onion having much to do with its taste. Certain other sources of sensation have their peculiar nature. The cutaneous sense, as the name indicates, is centered in the skin where three distinct sensations are found, those of pressure, heat and cold, and with them certain others which are re-

lated to the organic sensations mentioned later. The muscular sense enables the buyer to determine the position of his body or its members; to know when he is walking or pushing, moving the arm or head, lying, standing or riding. Finally the buyer has the sense which enables him to determine the states or conditions of the bodily organism itself; tells him of pain, over-exertion, hunger, thirst, headache, nausea, and other conditions. The general tone of feeling of the buyer depends on them.

Here in the senses, you see, we have the very sources of action in the buyer. He must see an article, or hear it described, or taste it, or touch it, or he must have the muscular experience of riding in it, perhaps, like in the automobile. Something takes place right here in the senses, in one or more of them, to start the buyer on the way to a purchase. And the more of these avenues to the brain we use in appealing to the buyer, the greater the cumulative effect. Watch the man who examines wine. He is charmed with its color; the taste he can not forget; the smell brings him to the vineyards of France. His impression of this wine has come through three different reinforcing senses each supporting the other, the combined effect of which is the greatest possible.

MUSCULAR RESPONSE

Muscular response is an important endowment of the buyer on which success in selling largely depends. The nervous system provides a very flexible and well-organized scheme of muscular response, connecting the sense organs with particular muscles giving ready and accurate communication. If the buyer is conscious of action both the subcortical centers and the cortex itself are involved. An illustration, the presentation of an object of sale, or an oral statement produces a muscular response of some kind when presented to the organs of sight, or hearing, touch or smell. Some of this response is controlled by the will and some results from physical and mental habit. What does this mean? It means that every one does certain things after deliberation and certain other things without thinking, as we say. A suggestion of some kind makes one act before one has considered the consequences. If the results are favorable we never hear anything of it. If the step has resulted unfavorably the explanation is: "I did it before I realized what I was doing." Having an article that we know will please, will fill a need or want, it is good salesmanship to take advantage of this tendency

to act before thinking, by means of suggestion, the shortest route to this so called ideomotor action. Many people can not think without effort and others will not. Good salesmanship does the thinking for them in the simplest of language, the suggestion in word, in picture, in the arrangement of the article itself as in display, or otherwise.

MENTAL EQUIPMENT

Thus far we have been dealing with what the psychologists designate as the buyer's psychophysical equipment because it involves largely his physical organism which is the basis of all his mental operation. In addition to this the buyer is supplied with certain mental equipment which is of the utmost importance in acquiring knowledge and in governing his many and various mental processes. First, and important from the very beginning to the end of the mental operation of making the sale, is *attention.* It must be obtained and held; held constantly until the buyer finally wills to purchase. There is *sensation* coming over the different sense organs, to a large extent the raw material of the thinking process. Then there is the power of recognizing and interpreting

what we see or hear or smell,—*perception;* the consciousness of objects presented to the senses. We perceive an automobile, or cash register, or a bolt of silk, or a sack of sugar because in our past experience we have come to know them as such.

The next step after perception in which the buyer acquires knowledge is through the *imagination.* All of the conscious processes of the buyer have to some extent an influence in the determination of the activities of his later life. Imagination is the consciousness of objects which are not presented to the senses; seen in the mind's eye only. The buyer can imagine sounds, and smells, tastes and different kinds of touch without the aid of any exteral stimulus. Yet imagination must have something internal to work on, this something being all of the objects that have previously been perceived and placed back in the chamber of memory. The buyer could not remember a tractor if he had never seen or heard one described. It is these images, therefore, that give the buyer the mental mechanism for looking forward or backward in the mind. The images remain for future use in acquiring knowledge. They could not remain were it not for memory.

Buying is a part of the activities of the later

life of every individual. It is therefore a part of the work of good salesmanship to see that the ground work of these activities is properly established in the buyer, in personal selling, letters, advertising and display. More specifically, it is necessary that the salesman or advertiser establish in the mind of the person whom he solicits, certain images or mental pictures regarding his company and his goods and their uses, which images will then become the content of the buyer's thought when later occasion demands recall. Successful salesmanship really takes root here in the buyer's memory and imagination. The cumulative value of all selling, personal or advertising, depends on the number and character and vividness of these mental pictures stored up in the buyer's mind by the skilful salesman or advertising man.

MEMORY AND ITS LAWS

Memory plays a little game all its own. Let us see how its laws work generally and perhaps we can reverse the situation and take advantage of these laws in making our impressions or mental pictures on the buyer's mind so that they will be lasting; so that when he thinks of

cereal, for example, he will have an immediate and vivid mental image of some definite brand or trade-mark. There can be no cumulative value to salesmanship; no establishment of good will in business without the aid of memory. Let us examine its important laws.

Many ideas enter the mind singly or alone; many others enter in groups, simultaneously or one shortly after the other, connected or related as though the impression they make is recorded on the same sensitive surface, the cortex of the brain, as is the single impression. Some impressions reach the brain through the eye, some through the ear, some through the other senses, or through more than one of the senses at the same time. This results in what is called association of ideas, so closely interwoven that the representing of any one idea tends to bring up all. This association therefore does the work of aiding in recall; makes it easier;—gives it a much wider field for stimulation. Trying to recall but a single impression or idea as compared with an associated idea, is like trying to fish with a single hook instead of a net.

The will is largely instrumental in the development of memory, attending to the making of a well-formed impression, getting it clear and

distinctly imprinted, seeing that proper attention is given; all of which divulges the secret of memory. Attention imprints on the brain the size, color, shape, peculiarities and other details. The will directs the making of the impression by seeing that the stimuli come from every possible medium; through the eye, ear, nose,—bringing reinforcement wherever possible. The will sees to it that the laws which govern memory are carefully followed. If it is found most satisfactory to remember by sounds, the will provides a good supply of sound phantoms for use. If memory is made most effective through sight, then well-framed and vivid pictures are imprinted on the brain with every idea to be remembered. If it is a person, the face and form and peculiarities will be carefully absorbed. The eye will be worked to full advantage because it is through this organ that the greater number of impressions are received.

The seller can improve the memory of impressions he registers on the buyer, by making the buyer's eye an observing eye that will grasp details. By suggestion, the ear will be made to detect the finest differences of tone. Similarly the taste will be trained to the delicacy of that of the tea-taster, and the touch to that of the

blind. It is a law of memory that training and development place one's recording instruments in condition for doing a good job of mental engraving. The buyer is not interested in training his senses to assist in retaining the impressions of the seller's goods. The seller can, however, by subtle suggestion, produce to an advantageous degree the desired effect.

Memory can be strengthened by conscious revival of an impression; repeating it mentally or aloud or seeing or hearing it repeated, thinking about it from time to time. Another device which aids memory is rhyme, often demonstrated in the use of jingles. Another device is abbreviation. Nonsense syllables or words composed of the first letters of names that we wish to remember especially in their order, are effective; G-W-C-S-C-O-C representing the names, Glenarm, Welton, California, etc. Knowing the meaning of what is to be remembered is important. Many people have a good memory of numbers. Dates and numbers, such as telephone numbers, can be associated with certain things to good advantage.

In selling, therefore, let us get away from the single idea like the monotonous, stereotyped, never-changed advertisement for example, and associate in its stead ideas that will give the

strength of unionism to the suggestions which we present to the buyer for his memory chamber. Every company has its material for this purpose. It may prove to be age and reliability reflected in years of service. It may be size in some of its forms, magnitude of production or number of employees or plants. It may be unusual scientific methods of manufacture. It may be immaculate cleanliness, unusual transportation facilities, courtesy, or it may be preferably a combination of these or other qualities that lend themselves very effectively for valuable, and lasting, and recall-producing associations. The salesman and sales manager must work together to establish these associations. Everything that the salesman says or does should make a favorable impression. Everything that he represents regarding his company and its product, every service that he performs or has his company perform should be done in such a way as to have its good effect in the cumulative results to be produced.

I am trying to establish the name of my company in this territory as standing for the best of everything. I want the buyer to have a high regard for its name and everything associated with it. I have therefore insisted on having good offices, well located and well furnished.

The stationery which my company uses is of good quality and appearance; and I want the material that goes into its letters to reflect the best when they reach the buyer. I want salesmen with personality. I want the very highest quality in my product. I want my service to mean something special and distinctive to the buyer. I want him to have a high regard for this company's cooperation. Above all I want him to feel that he is doing business with a company that is honest, having his interests at heart as well; and that he can depend on it at all times to give him the very best of everything possible. All of these things I want reflected by my salesmen. Striving for the best in every detail is bound to produce in the buyer associations that will be of permanent value, growing stronger as the years go by.

Again in selling we will try to get the will of the buyer in action in our behalf. If the will is instrumental in the development of memory let us have it exercising in our favor, interested, cooperating, boosting our goods, and feeling that the return to him, the buyer, is worth while. With a favorable will impressions engrave themselves the deeper, and the company concerned and its product become the monarch of the selling field. Every little friendly word or

act will make the impression stronger. And the value of repetition should not be forgotten, presenting each time in different dress if possible, and making the appeal through all of the avenues to the brain, the different senses. When sales are not made on the first call, the good will produced is based on memory. Something must be done to make the buyer remember the salesman, his goods and his company; the impression must be clear and favorable, becoming stronger and more fixed with each visit or advertisement.

COORDINATION OF KNOWLEDGE

Through what is called conception, the buyer is able to recognize and employ the meaning of things that are presented to the senses. Without this ability perception would be useless, and memory would be only confused; the buyer could not recognize the meaning of what is presented and remembered. And so the imagination would be a failure without this ability to give meaning to the images that fill the mind. Conception brings together the common points of our many experiences and consolidates or molds them into ideas, which become the mileposts in our thinking, to do the work of hun-

dreds of other ideas. It is the classification of percepts and images into what are called concepts. We form concepts of buyers, goods, color, sound, position, time, good and bad, price and quality. We are comprising in the concept the qualities common to all. The concept is the buyer's comprehension of goods from all of the goods he has ever had presented to his mind; of one tractor from all of the various tractors; of one color from all of the hundred and fifty different shades he has seen in the past. The buyer is constantly forming concepts; he is forming new ones or enlarging or enriching the old. The successful salesman must keep pace with him by enlarging and enriching the concepts he has of the things that he sells. His concept of motors must be broad, enriched by wide experience and knowledge of motors of all kinds. Concepts which remain at a standstill become petrified; bring the buyer and salesman into narrow paths of thought and work, and make each inflexible and firm in his "old-school" ways.

THE PROCESS OF REASONING

Although there is an elementary form of reasoning in all of the buyer's mental processes

there is another higher and more complex form of reasoning which gradually unfolds to him and others what he has in his mind. This complexity, reasoning, involves perception, imagination, memory and conception all at work thinking out problems of sale or purchase. The process of reasoning becomes organized and simplified by mental habit. For example, the problem of ascertaining whether a profit exists calls into play certain methods of determination like taking paper and pencil, figuring the wholesale cost, the cost to handle, the retail price, depreciation, possible turnover and other details. Education and experience have made this process practically the same whenever the matter of profit is to be determined. It is what is called judging. It puts the buyer's concepts of wholesale price, retail price, turnover, profit and the like before him and judges them, weighs them, compares them in figuring a possible profit. Judgment is therefore the very root of one's thinking. To think is to judge. It is another mile-post in the thinking process of the buyer. The salesman who will be successful will keep in mind the importance of good dependable judgments which will carry him through many a problem with satisfaction rather than embarrassment. He will have a

knowledge of his own company and its products, and be sufficiently acquainted with the needs or desires of the buyer to help him in passing a favorable judgment on the salesman's goods or proposition. He must be able to anticipate the mental processes of the ordinary buyer, take paper and pencil, so to speak, and figure for the buyer the different costs and other details in which he may be interested. He must be adept in making it easy for the buyer to pass judgment in his, the salesman's favor.

The final step in the reasoning process of the buyer is the combining of his judgments to form the various types of reasoning. The salesman comes into the retail store and wishes the buyer to purchase a new line of young men's college-cut suits. The retailer is in a western city, surrounded by an agricultural community, from which he draws most of his trade. This requires the weighing of arguments for and against the salesman's suggestion and a final decision in favor of one or the other alternatives. On the one hand the line of clothes is novel in design and will attract a certain percentage of the young men of the city who have never done business there before. On the other hand the store is not

equipped for satisfactory display of this style of clothes; has been catering largely to the surrounding country trade, and can possibly do better with a line that is more conservative, better adapted to the needs of its regular customers. Here we have reasoning involving a series of judgments. There is association of ideas, one idea calling another into play. There is comparison, of styles, of probable trade. Imagination is brought into use in picturing each alternative and its results. Every form of reasoning may be involved. To compete with this highest form of reasoning in the buyer, the reasoning of the salesman must be sound. His concepts, and his judgments must be proper. He must have his storehouse of associations, his means of comparison, like the goods of his competitors. Planted in memory must be an abundance of material for playing on the buyer's imagination, on his feelings, interests and other impulses. That is why in another chapter we ask the salesman to know his company and his goods, and his competitor's company and goods,—knowledge as important as is knowledge of the buyer himself.

FEELING AND FEELING-TONE

Feeling represents and expresses the tone of

the buyer's consciousness. Sensations of sight, pressure, movement, smell or taste are accompanied either by pleasure or discomfort. What is at one time agreeable may become disagreeable, and what is disagreeable may in time become agreeable. Then between the pleasant and unpleasant we find the neutral. This phase of consciousness which brings pleasure or displeasure is called affection. The manner in which it is represented or expressed is called feeling or affective tone. How about it in selling? Isn't it most important? Every good business man strives for that which will produce the best in feeling-tone. Whatever appeals to the eye must be most pleasing to the eye; whatever appeals to the ear must have harmony and quality. Movements, such as riding in the automobile, must be made as pleasing and agreeable as possible. Odors must be those that produce agreeable associations. Good feeling-tone explains the reason for demanding the good qualities in the salesman enumerated in another chapter; for the demand that character be reflected in everything associated with the company's name; for what is natural, and attractive, and harmonious and agreeable in advertising; for proper stationery and form in our letters, for good store fronts

and good appearance and display within. The importance of good feeling-tone explains the universal practise among successful modern business men of constantly trying to please in business.

INSTINCTS

In the structure of the buyer are elements which are so deep-seated that growing from them are many of the physical and mental habits which govern his every action. The motor powers, the reflexes and the instincts are the means by which the human organism directs its own movements and controls its destiny. Certain very definite tendencies are born into man's very fiber and have much to do with his life from birth until death. They comprise types of conduct which have been found through the ages to be beneficial to human life and are handed down from generation to generation. All human interests, forms of human desire, and types of human emotion are founded upon these instincts. Some are hereditary and others are acquired. No two authorities seem to be agreed on the number of these instincts. Among those which we find mentioned are: acquisitiveness, affection, anger, constructive-

ness, curiosity, envy, fear, hunting, imitation, jealousy, modesty, play, rivalry, sexual love, shyness, sympathy, sociability, secretiveness, self-preservation, self-abasement, self-assertion, and reproduction. We shall discover later that the very strongest appeals in selling are the ones made to these instincts whether it be in personal selling or advertising. Springing from them are the vast groups of human interests, human emotions, human desires and habits which constitute the complex and illimitable sources of appeal to the buyer. Everything that is sold can be traced in origin to the fact that it makes its appeal to one or more of the instincts. In personal selling, writing, advertising, or display we find, as we shall see later, the experienced man keeping in mind these instincts in his every selling move.

THE APPEAL TO THE EMOTIONS

Unusual exercise of the emotions makes one tremble or grow pale, and the heart palpitate,—the symptoms which distinguish emotion from other mental processes. Anger, embarrassment, pity, joy, surprise, derision, contempt, reverence, hope, remorse, gratitude, shame, disgust, etc., may be classed as forms of emo-

tion. This morning a blind man accompanied by a young woman sold me tickets to his lecture by appealing to pity. The "Greatest Mother on Earth" makes her appeal to pity and reverence and love, a strong appeal indeed reflecting great selling ability to those responsible for its use. Mr. Hoover's appeal for thirty-five million dollars will be a success because it is directed to the emotions.

There is a close relation between feeling and emotion. Some states of feeling like sympathy, antipathy, pride, humility, love and hate, the feeling of obligation, reverence, faith and others, often have strong emotional coloring depending on the inherited tendencies and previous personal experience of the individual. To the person musically inclined a well-played symphony may be the cause of delightful emotion; to another it would mean nothing. It is necessary only to add regarding emotions that if there can be discovered in our proposition or product the characteristics that make their appeal to one or more of these emotions, one of the most powerful means of obtaining action has been reached.

TASTES, CAPACITIES AND INTERESTS

In selling we can not overlook a group of ten-

dencies and interests of the buyer which are often as strong in their impelling force as the instincts themselves. One buyer is a lover of music, another of literature, another of business. I have in mind a lumberman who enjoys writing for the trade papers, and another who likes his race horses fully as well as his business. I was at lunch a few days ago with a dealer who talked much of the accomplishments of his wife, and enjoyed being encouraged to give vent to his appreciation. I have in mind also the great group of interests which are in a large measure common to all men; the individual himself and his welfare, his home, family and business. In a later chapter we shall see how the appeal is directed to these interests in making the sale.

DESIRES AND THEIR EFFECT

In desire there is the feeling of want and the impulse to get it satisfied. Accompanying the desire there will be either a pleasant or a painful feeling. It may be the feeling of pleasure in anticipating, in trying to accomplish. This impulse accompanying desire is what leads to action in the buyer. Many of these desires are accompanied by thought or reasoning and are

called rational, while others spring from sheer impulse alone as in hunger or thirst. All of the desires which we may have can be separated into two groups, the selfish or the altruistic; obtaining for our own benefit or giving for the benefit of others. Look over any good advertisement that was ever written and you will find somewhere in it an appeal to one or more of the desires. Listen to the selling talk of any experienced salesman or sales manager and you will find in it an appeal directed to the impulse to satisfy some feeling of want or need.

THE IMPORTANCE OF HABIT

Habits begin to form in the gratification of simple bodily needs such as hunger and thirst and protection from the weather. We dance, play golf, drive the motor, after learning to walk and talk; and otherwise we extend the number and character of our movements. At first, careful mental control is necessary, but later the habits become almost automatic, permitting the grant of attention to other matters while we perform them unconsciously.

Some people form habits easily and overcome them easily. Others form them slowly and change them just as slowly, a bitter lesson

sometimes learned by the advertiser. Sometimes they are formed unconsciously, sometimes wilfully and often through the direction of others. Existing conditions will form or change them. They are most satisfying and lasting if they are natural. Not many years ago our business men had the habit of keeping their cash in an old drawer behind the counter. The educational campaign of a well-known business organization has changed this habit to the more progressive one of using a register. Fifteen years ago bread was made much more extensively in the home than it is to-day. Education has changed the habit of the housewife in favor of better baking establishments. For many a generation the farmer could not see his way clear to do his farming without the horse. To-day the manufacturer has developed in him new habits involving the use of the tractor and truck. The most economical appeal, if the nature of the product warrants, is that to habits already established, these representing the path of least resistance in the buyer. The necessity of the expensive educational campaign is to a large extent eliminated and the appeal resolves itself into proving satisfactory quality, service, price and other universally demanded factors. Habits extend over the entire

field of activity from the time that we open the eyes until we close them again in sleep, and possibly in sleep itself.

MOOD AND TEMPERAMENT

In a discussion of the buyer we can not overlook mood and temperament. The buyer is often susceptible to certain forms of emotion. A good report from the general office may make him take on a bright aspect toward everything. He will be optimistic and ready to purchase. On the other hand, if his oil stock has dropped six or eight points, he will feel that he must go very carefully in his purchase and his former optimism will be dampened. A veil of saffron will cover everything presented to his physical or mental eye. Four varieties of temperament are easily recognizable. There is the sanguine buyer whose feelings are easily aroused yet in a colorless and feeble way. The choleric buyer is easily excitable with the emotions strong and the feelings keen. The melancholic fellow is slowly aroused, but feels deeply and is stubborn in his mood when once stirred. On the other hand, the phlegmatic buyer is slow and firm, stimulated with difficulty, and never moved to profound or lasting excitement.

We shall learn later how to deal with some of these types.

THE BUYER AND THE THINGS TO WHICH HE RESPONDS

Heredity, experience and education result in a complex development. The instincts, interests, emotions, desires and habits set the mind of the buyer in motion to act in certain ways under certain circumstances.

The phrenologists maintained a very definite theory that what the earlier psychologists termed the faculties were localized in the brain; mapped out, with certain organs in the brain corresponding to the faculties. In one part of the brain we found parental love, in another amativeness; and an accurate conformation of the skull with the brain was said to enable the phrenologist to read what was within by what was displayed without. Neither phrenology nor faculty psychology are now recognized by present-day authorities. Modern psychologists take the position that such a scheme of classification is at its best most difficult because each of these functions involves the cooperation of many other fundamental processes, and enter in varying combination in the make-up of the

different faculties. Professor Angell says (*Chapters from Modern Psychology*): "To say that an individual mind possesses certain faculties is merely to say that it is capable of certain states or processes. To divide the various and fluctuating modes of consciousness in a distinct and orderly manner, so that each may receive an appropriate name,—this in itself is no small achievement. The faculty was by the elder psychologists regarded as the cause of certain mental processes and of other faculties....Faculty has almost passed out of use in modern psychology." We can not depend on phrenology therefore to help us in the study of the buyer. From faculty psychology, due to the effort to arrange modes of consciousness in an orderly manner, we are able to obtain material that may well be brought out in a work of this kind. Some writers on salesmanship have seen fit to take over bodily the principles of faculty psychology and apply them in selling. We shall take the view of the modern authorities and mention the instances in which certain sets of circumstances affect buyers differently, —really the meat of faculty psychology without the name.

Acquisitiveness is purely instinctive. It is the tendency to hoard or collect or save. It is

strongly rooted in most men and women, displaying itself in the desire to accumulate wealth, to save money. It shows itself in business in the desire, which includes the impulse to satisfy this desire, for large and constant profits. A salesman will rarely make a mistake in assuming that acquisitiveness is a characteristic of a man in business. It explains his being in business. This characteristic is so universal among buyers therefore that it can not be left out of any sales talk or argument if the nature of the article or proposition permits. Showing a profit or saving, directly or indirectly;—showing the individual how to make or save money is probably the strongest appeal to the business man, successful business being founded on the ability to make and save.

Alimentiveness and bibativeness are forms of desire; the desire for food and drink. Foodstuffs and drinks that are attractive to these tendencies are constantly suggested in business, tastefully displayed as in the modern market. The salesman who travels takes advantage of them in gaining favorable moods or friendship. The advertiser or letter-writer makes his appeal with suggestive illustrations, carefully worded description and appropriate environment.

What has amativeness, or the instinctive tendency to love, to do with selling? Just this;—accompanying it is the desire to do for others, to whom it is directed. In May of each year the jewelers of the United States direct their advertising to the prospective bride and groom, because they have learned the strength of this impulse to purchase gifts for the June weddings. Amativeness continues after marriage, and proper sales talks, advertising and display are prepared to appeal to it. Flowers, candies, diamonds, jewelry, taxi service, stationery, specialties in wearing apparel, art work for the home, and many other articles are often sold more on account of the presence of this instinct than on account of necessity. The nature of the article and the circumstances must determine the advisability of the appeal to amativeness.

The sales person will find a tendency on the part of husband and wife to call in each other for consultation before making a final decision. The husband will not buy a hat without the advice of the wife, and the wife will not buy a suit without the word of approval of the husband. Very often the advice of one inhibits the decision of the other. The husband may be willing to buy and the wife may have a volume of

arguments against it, or the wife may desire to buy and the husband will be the inhibiting element. This feeling of dependence is called conjugality. Some articles are distinctly for the husband and he alone should be addressed regarding them. Furniture and supplies and equipment for his office or place of business, or farm, are things in which he, rather than his wife, is distinctly interested and most capable of buying, and the wife's intervention is apt to work unfavorably. A stock salesman would do well to direct his talk to the husband only. An insurance agent might find it advisable to confer with both, and a salesman of household specialties not high in price, might well spend his endeavors on the wife only. Attention should be directed to the individual whose interest is most involved, or to both where there is a division of interests.

Children are the center of affection and interest of both father and mother, the result of another instinct. The pleasure of the child, his education, his moral and physical welfare form a most impulsive group of interests with which to appeal to the buyer. Introduce something that excites this instinct of parental love, and a responsive chord has been struck in any branch of selling. The mother, being more

closely associated with the smaller children, may be more easily influenced in their behalf than the father. Toys, children's clothing, and other articles for the young are purchased generally by the mother. After the age of adolescence, the father becomes more directly concerned.

The social instinct is highly developed in many persons. They enjoy club life, outdoor and indoor sports and amusements; and they probably like to eat and drink. The difficulty with this type of buyer is that no salesmanship is necessary to win his friendship if this tendency to eat and drink is perverted. The salesman who buys the most and best meals and furnishes the best entertainment gets the business. Many sales managers take the position that this entertainment is unnecessary. There are exceptional cases where it can not be avoided. As a rule, however, I have found it unnecessary, and I know of many others who take the same position. Friendship is important but it must not be bought.

Inhabitiveness is a feeling toward a locality, as patriotism toward a country. It is the love of home including the community in which it is located. One likes to see the locality in which one lives improve and prosper. I know of a

large manufacturing company of the West that built up much of its business on the strength of this patriotic feeling, extended in this case to the entire state. With quality and price, service and other factors equal the dealers and public officials took active steps to defend the new home industry, in some cases passing resolutions insisting on the use of its product for public work. This inhabitive tendency probably explains the great growth and activity of the many commercial organizations now in existence over the world. We find advertisements of flowers, trees and shrubbery for the home written to appeal to inhabitiveness. It has its basis in self-preservation, another instinct. If we have no home we desire one; having one we want it modern in every respect. The business of the retailer is directly dependent on this instinctive tendency.

There is a universal desire to want to live and grow old gracefully. Those whose ills are imaginary as well as those who suffer from actual ailments, are constantly appealed to in both legitimate and quack advertising. Many an advertisement of elixirs in the form of patent medicines, gymnastic formulas, hair restorers and cosmetics, is framed to appeal to this desire called vitativeness. The world is

striving to remain young and healthy and good-looking. The beauty parlor, tonsorial parlor, and other kindred lines of business have become necessary units in the commercial world because of the desire to live.

We find the fighting instinct personified in business. The fighter is to be found in every locality and in every line. We must not antagonize this man. He will not stand for it. If we take off our coats and fight for him rather than against him we shall get somewhere. "You are right, exactly right, Mr. Yost. My company made a bad mistake in doing this and I will see that the man responsible gets what he deserves. We want you satisfied, and I am going to see that you *are* satisfied. That was a very poor piece of work and I do not blame you for being angry about it." The fighter usually meets with friction and opposition. It is an agreeable surprise to him to be defended. Let him have his way, be humored; let his opinions be respected and he will devitalize and eventually meet the salesman graciously. Some woman too will come into the retail store and abuse everybody from the sales person to the general manager. It is hard to take abuse but it must be done just as we have done in the case

mentioned above; by fighting for this individual and not against her.

Occasionally we come in contact with the fellow who has got into business for spite, or prejudice, or some other unfortunate reason. He has not sufficient personality or ability to run his own business and devotes much of his time and attention to seeing that his competitors are no more successful than himself. He is the destructive buyer. I remember meeting a buyer of this character on many occasions. He was a lumber dealer in a city where there were two other yards. It was his boast that these three yards had been in this city for six years and that none of them had made a dollar and would not make a dollar as long as he could prevent it. One can not afford to do business with such a dealer. By taking up the matter with his competitors an arrangement was soon made to have this yard purchased by a third party. Both other yards were afterward able to make a reasonable profit and were so well pleased with the suggestion that they were glad to give their business to my company.

Another type of buyer comes to mind,—the secretive fellow, quiet, reserved, a better listener than talker. If this tendency is not over-

pronounced it is advantageous in obtaining and holding attention. It is displayed from the time that the salesman makes his appearance. The manner will be quiet, and generally slow, little affected by the salesman's presence; a tendency to continue with routine. Occasionally this reticence is assumed with the intention of avoiding the salesman, yet we may not conclude that this is the case until it has been proved. The only safe manner of approach is to be patient, keeping constantly in the buyer's presence to serve silent notice that an interview is desired, entering a wedging word here and there, and waiting quietly for the opportunity to open the discussion. If this reticence continues for an unreasonable length of time, the matter should be brought to an issue by speaking frankly to the buyer in an effort to secure an interview or if necessary an appointment. If he gives a reasonable excuse for not granting an interview just then, the salesman must not jeopardize his standing by insistence. If there is a tendency to be arbitrary, the salesman then has the right to present as forcibly as the occasion demands his reasons for wanting an interview. The importance of tact must not be overlooked. It is useless to spend time in

getting an interview with one who is unfriendly as a result of the salesman's persistence.

The salesman must expect to find cautiousness in the average buyer. It is a necessary characteristic of the good business man. Some situations require more caution than others. The character and importance of the sale determines the amount of attending cautiousness to be expected. Overcoming it is merely a matter of convincing; of obtaining confidence. We shall see later how the sales manager overcomes cautiousness by placing in the office or home such articles or instruments as pianos, talking machines, dictaphones, books, and other things, in the purchase of which unusual caution is displayed. Letters of reference, lists of others who have purchased and are using, inspection trips to work that has been done, public demonstrations like those given by manufacturers of tractors, fire apparatus, etc., are all instances of methods used in overcoming cautiousness. The retail dealer tells the customer to take home an article and if it is not satisfactory, return it. If an article will not stand the acid test of actual demonstration its life in the selling field will be very short.

Have you ever come in contact with an individual who would not accept an honestly

given compliment? No, you have not. There is a way to give a compliment and have it set well. There must be sincerity in the giving, and it must be regarding something worth while. We can not compliment the insignificant or ordinary. We must look for something about the buyer, his family or business that deserves a compliment. Flattery is not sincere yet it is often used to advantage. It must be tactfully given or it will not appeal. A salesman who was attempting to obtain my subscription for a certain magazine was not able to get me interested to his satisfaction. Finally he asked if I would be willing to write an article for this magazine. This question led me to ask him why he had made the proposition to me, and he admitted that it was an appeal to approbativeness with the hope of getting my attention and interest.

Some buyers have high regard for their own opinions and judgment. They have had the experience; claim to know just what is wanted and will not be dictated to by the salesman. The professional buyer is apt to develop this trait. The fact that this trait exists does not mean that the other characteristics are unfavorable. On the contrary they will be distinctly favorable. There will be strength of

character and the respect of friends and acquaintances. This self-esteeming buyer must be given all of the facts and permitted to use his own judgment. He will finally express himself quite positively for or against a purchase and that will virtually end the matter for the time being. We need not hesitate to give this man an honest compliment. Our efforts to sell him must be patient, renewing in a later call, or by letters, by actual demonstration, or trial our efforts to sell. A firm or stubborn buyer, which this individual is apt to be, can not be driven. He must be very gently led. "Now, Burgess, I know this business better than you do. I know what I can use here." This is the statement of a self-esteeming buyer. "I am getting good treatment from the firm from whom I now buy and see no reason to change." More patience, tact and resourcefulness are required for the solution of this problem. How about talking to him something like this? "Mr. Baker, I know that you have been buying a certain brand of cement for years. You have had good treatment from these people and they in a measure deserve your loyalty. Just let me go over this matter with you, and if after I have finished your good judgment does not tell you to do business with me, I shall drop the subject...

You have been in this business long enough to see immediately the advantages of this offer. Look at this map (showing a map of the state). Here is our mill: here is your yard. I can keep you supplied with cement just as you want it within a few hours after you phone for it. I will have to haul the car fifty miles while my nearest competitor, from whom you now buy, must haul it five hundred. I can use this car ten times on ten different orders while the company from whom you now buy can use it but once. You will help the car situation; you will get your cement quickly; you can take down that telephone receiver and talk to us at any time; you will get the advantage of being closely in touch with us,—cooperation, first-class treatment, everything that any company can give, and you will be doing something to build up this good community by helping this worthy home industry. You have been right in contending that the trade of the people living around this city should come to you, the local dealer. You have been right in telling your trade that you are located here where they can reach you and talk with you conveniently and have the benefit of your cooperation. That is why I know that you will feel the same way

regarding my company. I am going to leave the entire matter to your good judgment."

Here we have adopted the selling talk of the self-esteeming buyer in fighting for his own business, and applied it as a weapon against him. Placing the responsibility on him of passing judgment fairly has a very good effect.

It sometimes requires years to convert the stubborn buyer. Cooperation from every source should be obtained by the salesman. The office can do much. Letters, advertising, visits from the sales manager, cultivating friendship, placing the buyer under obligation, will be some of the means. Many very good accounts are started with dealers of this type by going into his city, getting well acquainted with his customers and through them obtaining business on which this dealer will receive his commission.

In the study of the psychology of the buyer we have found how the concepts become ossified if they are not enriched, resulting in one's becoming narrow in view and actions, wanting to continue in old paths of habit or policy, with the same old concern regardless of circumstances. This may develop into old fogyism. We are likely to be mistaken in interpreting as fogyism what really is good business. The fact

that a dealer demands the plain, unassuming and hard wearing clothing may be due to the demands of his trade which comes largely from the country or industrial districts. A visit to the store of the small-town merchant will convince one that the same style and character of goods we find in the large cities are not used in the country. If a dealer should prove narrow and backward the salesman need not hope to revolutionize him. It can not be done. He must be given what he wants.

Calculation frequently displays itself in the buyer, in negotiating the sale of insurance, bonds, investments; sales involving a complexity of costs and figures. He must take his pencil and paper and go into details. This tendency should be anticipated by the salesman and the problematic situation made as clear and simple by means of figures as possible. A dealer interested in selling me a set of five tires furnished a well-arranged diagram showing just what these tires would cost, what discount he would allow, the amount of guaranteed mileage, the allowance for each of my old tires. In his sales talk all of this had been explained yet this memorandum made the details clearer and more easily remembered.

The appeal to this calculative tendency can

be carried to the extreme. A certain concern advertising at this time, in the attempt to add originality and interest value, as well as appeal to the tendency to calculation, has inserted a stereotyped conglomeration of hand penciled figures in compound interest which suggests effort in reading, not to mention understanding. It is too complex.

Have you ever thought how strongly the process of comparison enters into buying? A buyer believes that a certain automobile is the best for his purposes. A salesman demonstrating another car has to explain every detail of the construction or operation of the new car in terms of the one which the buyer has in mind, or in terms of other standard cars. The comparative speed, power, durability, finish, size, comfort and price are all spoken of in terms of other cars or standards,—comparison at every step.

This comparative tendency explains the necessity for developing the concepts pertaining to one's business, and especially one's product; obtaining knowledge of one's company and its goods, and of competitors and their goods.

Imitation is largely instinctive. The mob spirit, where the individual often subconsciously falls in with the purposes of the mass,

is explained by this tendency to imitation. In social life a large number can be counted on to follow the leaders. The family of Judge Blank is regarded as very musical, the daughter having studied abroad. If Judge Blank thinks enough of a certain piano to use it others will also want to use the same make. What is good enough for Judge Blank is good enough for them. Imitation breeds rivalry at times. People must live on a standard equal to that of the neighbors and friends. Like their friends or neighbors, they must have the automobile; they must have their daughters in the private school; they must belong to the riding club; must have the antique furniture, even though they can not always afford these luxuries. Recommendations, memoranda of introduction, subscription lists and similar devices are used to advantage by the sales person in these cases.

Apart from the imitative class are those who want to be original and individualistic, standing out as examples to be followed. This is a progressive tendency. It separates one from the crowd into a class by one's self. Why does a merchant carry out a certain color scheme of blue or red in connection with his business? Why does he have his store, delivery wagons

or cars, stationery, advertising, decoration,—everything in red? Becauses he wants to be individualistic and give his business personality. While in a leading clothing store a few days ago I noticed a salesman giving special attention to a prosperous-looking young man whose appearance and actions indicated that he was strongly possessed of individualistic desires. The salesman was alive to the situation and displayed a line of striking style and color, something that the ordinary individual could not wear. The result was the sale of an overcoat of extreme design in rich green. Stores, offices and homes are often constructed and furnished, if not even located, to carry out this desire for individuality.

Thus far we have discussed the mental equipment of the buyer, including the nervous system and its relation to the sense organs. Now we come to certain outward and visible attributes or powers that are well worth examining.

DETECTING QUALITIES AND CHARACTERISTICS

Much attention has been given to the weighing and measuring of a man's mentality, his character, by study of the outward or visible evidences. We have seen how phrenology pro-

fessed to show that a certain portion of the brain gave rise to a certain faculty which could be located and its strength determined by the character of the bumps on the head. Later research has proved that phrenology rested on a false basis.

There are those who believe in physiognomy; the art of discovering characteristics of the mind or temper by observations of the form and movement of the face and body. Since the beginning of history, men have expressed their faith in this method of reading the character. Opposed to this view are those modern business men who are inclined to believe that so-called character reading is too uncertain, too dubious to be practical and useful. We shall let Doctor Katherine Blackford, one of the late exponents of character reading, tell us in her own words what she claims for the alleged science. "We do not wish you to misunderstand our claims for the science of character reading. Character analysis is not a science in the mathematical sense. As we have said in our introduction, we can not place a man on the scales and determine that he has so many grams of industry, or apply measurements and prove that he has so many centimeters of talent for salesmanship. We do claim that it is classified knowledge

based on sound principles; that it is as accurate as the science of medicine; that it can be imparted to others and that any one can test it beyond any question of doubt.....Men differ from one another in nine fundamental ways; color, form, size, structure, texture, consistency, proportion, expression and condition."

E. B. Gowan in his work, *The Selection and Training of the Business Executive,* says: "Suffice it to say that this system takes for its basis nine factors, termed variables,....(naming them). Even granted that this is a complete classification, which at the best is considerably beyond the limits of probability, these nine variables constitute exactly what their name indicates, items which are in themselves subject to almost innumerable variations. Evidently we have here a system too fearfully and wonderfully made to justify the precise results claimed for it."

Another author, William Maxwell, in *The Training of the Salesman,* attacks character reading without reserve. "Personally, if I were in search of an executive, I do not think his complexion, and the color of his eyes or hair would be taken into consideration. If this is unscientific, the character reading dopesters and tipsters may make the most of it....I am

not yet ready to adopt the superstitions which have been welded into the alleged science of character reading."

But the salesman will find at least some physiognomy claims reasonable, and even acceptable for use in the business world. If the modern character reader will grant me the added assistance of speech and action I feel that the business man can gain considerable benefit from this science. The list of elements or fundamentals does not specifically mention speech and action, yet these seem to be contemplated in the process as we find them referred to by different writers. The following is a broad statement from Doctor Blackford, which I believe any business man, including Mr. Maxwell, will agree is well put and worthy of our consideration. It indicates that the modern character reader considers every detail of evidence of character including speech and action. "Motives lie at the very foundation of being. They are deeply imbedded in the very cells and fiber of the individual. They shape his thought, his habits and all his actions. They show themselves to the practised eye in every physical characteristic, in the tone of the voice, in the handshake, gestures, walk, handwriting, clothing, condition of the body and expression of

the face. They festoon the personality with flaunting and infallible signs to be known and read by all men who care to take the trouble to learn. Some are plain; others more elusive. The simpler motives, after they have held sway for years, are easily discernible. Sensuality, arrogance, vanity, coldness, benevolence, sympathy, and others are easily determined. In order to be successful in persuasion we need to be able to trace all of the feelings, both permanent and transitory." It may be interesting in view of the difference of opinion which exists regarding character reading to examine the claims of such writers as Doctor Blackford from the point of view of the business man with the idea of selecting whatever may seem to be useful in the selling world.

In a general way the character reader and the earlier physiognomists divided people into: 1, the group with great intellectual capacity, capable of accomplishing much in education and training, fitted for intellectual work, with mental grasp, comprehension and reasoning power; and 2, into the group which is only moderately intellectual, the members of which express themselves more in a physical than mental way, who have clearness of mental action in some special direction like merchandising, or

contracting, or farming, or whose intellects may be incompetent in every way. The theoretical and the practical are the designations often given to these two groups. The thoughtful, reflective, philosophical, falls on the one hand, and the practical, fact-demanding mind, quick to ask for the demonstration, not interested in the theory, on the other.

In the physically frail the mental powers grow at the expense of the physical, the large heads and active minds using up the body's nourishment which is not always sufficient for this expended nervous energy through the brain. In this type we have the pear-shaped head, large at the top, and slender and delicate at the jaws. With this type we find also delicate and slender hands and feet, narrow shoulders and thin chest. They are sometimes designated as the mental type. The eyes will be bright and the nose relatively small. The nails, nostrils and lips will be thin, the bones and muscles and abdomen small, and the speech and action quick. They will be excitable, sensitive in feeling, high-strung, bright and sparkling, and very apt to be emotional.

The fat man, or the man of the vital or vegetative type, as some called it, is placed in a class by himself. In the extremes of the

fat type we find the large mouth, comparatively small and depressed nose, globular or puffy cheeks and chin, slow motion, slow speech, large abdomen, love of food and drink, ease, freedom from care, and lack of mental effort. To the man with brain and talent, a body of the type described yet not too extreme, serves as a wonderful source of power by reason of its nutritive reserve. The person that is easy-going is friendly, approbative, kind and affectionate, and likes children.

The third group includes the man of bone and muscle, sometimes called the motive type, broad, strong and wiry, elastic, energetic, quick in movement. He may be either tall, bony, enduring and graceful, or short and broad, with short extremities, round muscles, square face, high and wide cheek-bones, prominent chin, square hands and large feet, and if he has unusual mental capacity, a high, wide head. A healthy respiration system keeps the circulation lively, resulting in buoyancy of spirits, quickness, clearness of apprehension, ambition, hope and progressive mentality. He enjoys eating and drinking, athletics, social life. If he is more bony than muscular, he has large joints, and the lower part of the forehead projects over and around the eyes, the tips of the fingers will

be square, and a comparatively small angular shaped head will rise high above the ears. Lime, phosphates, magnesia and soda, which make bone, are said to give stability, integrity, decision and firmness to the organization.

Some anthropologists give support to the belief that the ambitious and restless, the optimistic, energetic leaders are light in color, and that the peasants and tradesmen and men of religion who practise resignation to a higher degree are dark. Men of action are said to be light. We are said to find genius for government, exploration, conquest and progress in the light, and genius for art, literature, religion and conservatism in the dark. While this distinction might have been more marked in the early history of the world, in this day, after the fusion that has been taking place for centuries, business men will be inclined to regard color as a mere bit of evidence of character which can not be taken too seriously.

The form of the face and features may be of some importance, yet we find so much complexity in this element that it, like color, can be taken only as evidence. It is true that sharpness indicates quicker action than bluntness and roundness. In the sharp face, with the long pointed nose, retreating forehead, large eyes,

prominent teeth and retreating chin we have the evidence of quickness; the fast head, it is sometimes called,—the convex form. The concave form, on the contrary, has the high, prominent forehead, flat brows, deep-set eyes, small, turned up nose, retreating teeth and long prominent chin, and is said to indicate slowness. Out of several thousand dealers with whom I have been personally in contact during the last few years, not a sufficient number could be definitely placed in either of these classes to give the matter consideration. Nature is inclined to avoid extremes. The average business men are medium; of the bone and muscle type we might say with safety, displaying no strongly concave or convex tendencies. They are largely fact demanders, energetic, reasonably fast moving, practical, fairly intellectual. Their line of work demands these qualities. Most of them would be inclined toward the convex rather than the concave type, but only very moderately and scarcely noticeably so. The character of the business may have something to do with the type. In the lumber business we have bone and muscle, practicality, demand for facts, health and resulting good spirit, activity, clearness of apprehension, ambition and hope, enjoyment of eating, drinking, outdoor and social

life. In the book selling business we might find the buyer of a different type, inclined more to the mental than the physical.

Texture refers to the arrangement and character of the muscle and fiber and cells of the body. It is claimed that the texture of the entire organism, including that of the brain and nervous system, is indicated by the nature of the skin and its appendages, the hair and nails. It is simply evidence of type; enables one to classify the buyer as frail, or of the bone and muscle or fat type. Coarseness of hair, skin, features, loosely built legs and feet and hands are evidence of physical coarseness, to a moderate extent displayed in the bone and muscle type. Fineness of skin, silken hair, delicate features, slender legs and finely molded hands and feet are evidence of fine composition generally displayed in the mental, or in the physically frail type. In the one case we look for the matter-of-fact mind and in the other, the theoretical; less emotion, less sensitiveness, less ambition and hope perhaps, less mental activity and a greater demand for facts in the former type than in the latter.

Structure, like texture, is indicative of type; evidence of frailty, or of fatness or bone and muscle consistency. The immense head and

slender body place one in the frail class. The small head, large jaws and high bone and muscles place one in the bone and muscle class, and the small head, round face, round body and round extremities may place one in the class with the fat man. We have already enumerated the qualities and characteristics of the different types.

The proportion of one part of the body to another, or one part of the head to another, since each of these parts has its particular function, is regarded as important by the character reader. For speed in the animal we look for wiry legs and slender body. If large, heavy legs are found with a slender body we sense a lack of proportion, or if the head is overly large we at once detect the lack of proportion. Provided lack of proportion is not sufficient to affect mentality, what does it mean to the business man in detecting character? It is probably no more than a scrap of evidence.

Expression and condition must be given credit for more than any of the elements on which character reading is based. The emotions display themselves in the voice, eyes, expression of the mouth, in the actions, manner of sitting and standing or moving. The buyer's finer and more elusive thoughts, including

those pertaining to his interests, desires, emotions and habits, express themselves in what he says and does. We have seen in the study of the emotions how motor reactions, like the increased circulation, heavy breathing and other symptoms, display themselves in spite of our efforts to conceal them. Many of these emotions and other trains of thought and feeling evoked by the interests, desires and habits leave an eradicable impress on expression which the character reader says is just as sure and as strong as the effect of the trade winds on the oaks of California. Agreeableness, sympathy, honesty, mentality, irritability, concentration, surprise, pleasure, suspicion, fogyism,—nearly every state of mind in which the business man is interested is displayed in expression. Let the buyer's mind unfold itself in speech and action and we shall ask little more regarding character. Speech is the means of openly expressing one's mental state. It is the very strongest and most convincing corroborative evidence of what is read in the expression. "I wish you would not bother me this morning, sir, I am very busy and I am sure that your proposition will not interest me at all." This, coming from the buyer with firmness, is indisputable evidence of his present

frame of mind. Rapidly and indifferently leaving the salesman alone the buyer says: "No, sir, I would not buy from your company under any circumstances. I have been in business long enough to do my buying where the volume of my business is appreciated and where I get the best deal."....evidence of acquisitiveness. "You need not talk to me about what my competitor has done. I have my own ideas about running this business, and they will be carried out."....a statement from the self-esteeming buyer. A buyer becomes argumentative almost always in speech. Speech and action determine stubbornness, impoliteness, irritability, temper, bluff, mentality, in fact every characteristic in which the sales manager or salesman is concerned. The clever salesman can by suggestion and questioning lure the buyer to disclose in speech and action his tendencies or motives, opinions, preferences, interests, habits, or what not.

We can not overlook the fact that the character of the buyer is to some extent disclosed by the environment that he has accepted for himself. His store and the way it is operated, his home, his family, the town he lives in, possibly the kind of horse or automobile that he drives,—all have a tendency to reflect character.

I know a dealer who orders carloads of material on picture postals. He is not progressive and displays some of the characteristics of the old fogy. We may expect to find the business man of the large city, where competition is keen and interests large, to be more alert and careful and shrewd than the man of the little place where competition is not so keen, and we shall find him also much the busier.

Condition is the element named last as comprising one of the variables in character make-up. It refers to the appearance; the clothing, the condition of the hair, skin, nails and teeth. The importance of this element depends on circumstances. It will mean much to the man who is applying for an executive position, and little to the buyer in the small town who must labor hard to keep his business intact. Condition is distinctly a variable, depending upon the character of the business or work and on the environment and the society in which the individual must live. Both local custom and habit have much to do with the standards to be expected.

Let us examine the physical details of the head, including its shape, and that of the nose, mouth, chin; the size, location and character of the eyes, the hair, brows, etc.

Quality and texture of the hair are evidences of type. Very coarse hair is found on coarse, strong, dull and stupid individuals and animals. The man of the West in his ruggedness may display these evidences of coarseness and yet have fine mental qualities. Soft pliable hair ought generally to indicate fineness of quality in the body, refinement, keen mentality and delicacy. Fine, long and glossy black hair is evidence of intelligence, deep feelings and lasting affections. The dark shades like brown will be accompanied by these same qualities in less degree. Red reflects intensity of feeling, ambition, and emotion, refinement, quick temper, agreeableness and love of activity. The lighter the hair the greater the tendency to display transitory emotions, gay manners, love of dress and amusement, vivacity, fickleness, etc. It is said that there is less stability, integrity and moral courage in the individual with curly hair than in the one with straight hair. Curly hair indicates changeable character, often brilliancy, vivaciousness, quick temper. The wavy hair is found upon the heads of the talented. With it we are apt to find emotion rather than reason, as in the case of poets, musicians and others. They are gentle, refined and sometimes effeminate.

In the profile of the forehead we find the perpendicular, the projecting, and the receding. With the normal perpendicular forehead we are apt to find straight lines in the nose. It is the head of the artist and of the esthetic individual. The receding forehead is accompanied by warmth, fire, enthusiasm, sympathy and sensibility much more pronounced than is found with the perpendicular. Here there is said to be energy, good reasoning power, sympathy, enterprise, practicality and progressiveness. It is the practical forehead and therefore ought to be found to a large extent among business men. If the forehead projects there is a tendency to dullness, slowness and impracticality. If it bulges at the top there is the tendency to be visionary, impractical and theoretical. If it is large at the middle there are good comparative and memory powers. Bulging over the eyes denotes keenness of perception. The reflective or reasoning head is broad; the concentrative forehead, high and narrow. The well-balanced is reasonably broad, reasonably high and reasonably full.

Does the brow mean anything? We are told by the character reader that the dull have the low and narrow brow and sunken temples. Prominent at the corner of the eye, extending

back and ridged, the brow denotes orderliness. Brows that are knotted, with muscular development above them and a full forehead, belong to the abstract thinker. An intense and energetic nature, concentrated power and nervous force are said to be reflected in the dark brows accompanied by dark skin and hair. If the brows are full and bushy and the hair the same the possessor is inventive, inclined to be irritable, and has a strong personality. Unless there is a good forehead to offset them, faint brows denote weakness. The individual with the arched brow has a negative nature, follows instead of leads, does not think for himself and is a dreamer.

Even the shape of the nose has its significance, we are told. There is a resolute, determined, ruling mind denoted in the eagle's beak, called the Roman or aquiline nose. That of the artist has straight lines and is called the Grecian. In the pointed nose we read caution, reserve and cunningness, and if it turns downward, even suspicion and intrigue. In the fat nose with the backward rolling nostrils there is sensuality. If it is large and arched, with the tip dropping and turning inward there is caution and suspicion, the nose of the driver of hard bargains. The up-turned nose leaving

the teeth slightly exposed is that of malignity and coldness,—"snippiness."

The eyes, their expression, shape, color and location have their meaning. The buyer with the black or dark brown eye is impetuous; with the blue or gray eye, calm and intellectual. There is determination, selfishness, stubbornness and shrewdness in the deep-set eye regardless of color, more pronounced in the brown and black. Large full eyes, if normal, indicate culture and refinement. Transparent and sparkling under well-delineated lids means love of elegance and good taste, and quick discernment, possibly pride and irritability. Cunning and trickery may be reflected in the small, deep-set, sparkling black eyes and active jesting mouth; without the active mouth there ought to be reflection, taste, elegance and accuracy. The twitching, rolling eye is the eye of the unsteady and weak willed. And now the eye of the cold and mercenary person,—colorless, prominent, the pupil small and seldom dilating, and the glance fixed. The sensual eye is prominent, pale blue, liquid or dull, with no depth or transparency, the rim of the upper lid thick with fullness above and drooping but not from concentration. The eye reflects the intellect. We judge its quality by transparency, clearness,

dullness, depth, size and flexibility of pupil, quickness of muscular motion, position with reference to the brows, fullness and position of the upper lid.

If we would know human nature we should watch the mouth also, according to the character reader. If it is well closed with the muscles drawn and the chin thrown forward, we have a strong willed person. If the upper lip projects there is sentimentality. If the lower projects we have irritability and quick temper, yet firmness of character, even obstinacy. Both lips advanced indicate honesty and sincerity. The lips of the sensual are fleshy; and of the cold, precise and active, thin and closed to a line. If these thin lips turn up at the corners, vanity lurks there, and if they turn down, maliciousness may be found. The open mouth, with the projecting upper lip and teeth, suggests weakness, stupidity, coarseness and rudeness. Conscious mental effort contracts the muscles of the mouth. The more strenuous the thought the greater the compression of the mouth. If the line where the lips come together is wavy and irregular, temper and irritability show themselves.

And now what about the chin? The character reader informs us that good common sense

shows itself where there is an indentation in the middle of the chin. If the chin is large and broad and heavy, there may be violent temper. A little peevishness will show itself if the chin is small and sharp pointed. Having no chin indicates weakness, and the protruding one reflects strength. It is a cold buyer who has a flat chin, and a good-natured one whose chin is round. We are safe in inferring that the man with the double chin is a lover of good food. If the point of the chin comes up and the tip of the nose down, we have the suspicious and cynical. Meanness and lack of soul qualities are found when the chin is narrow and the mouth small.

The personal laugh reveals character or lack of it. Those who laugh loudly and easily are vain, stupid or indiscreet, and those who laugh moderately or mildly are prudent and intellectual. A quiet natural laugh has depth of character and feeling. It indicates kindness and cheerfulness, sense of humor, mental breadth, liberality, etc.

I have now mentioned the characteristics of the different types of men and women; analyzed the claims of the character reader regarding the details of form and shape especially of the head, including the forehead, eye, nose,

mouth and chin. We must remember, however, that indications of character must be considered as a whole, not passing judgment on the strength of a mere detail, such as a peculiarity of the eye or mouth. Everything from the hair to the walk, including speech and action should be considered, and conclusions drawn even then will sometimes be wrong. After this examination of character reading we must admit that although some of the claims are too broad and others too definite, in a general way they are reasonable and deserve the consideration of the man in business.

CHAPTER III

MAKING THE SALE

Reflecting on what has been brought out in the last chapter regarding the psychophysical and mental equipment of the buyer and the effect of different kinds and degrees of stimuli when applied to this organism, we find that making the sale resolves itself into the matter of the selection and use of either the spoken word in connection with the presentation and demonstration of the object of sale, as in personal selling, or the printed word in connection with the picture or illustration as in advertising,—each making the appeal through one or more of the senses. In the actual demonstration of the automobile the appeal is made to sight for color, lines and general appearance, to touch for quality and comfort, and to hearing for the sound of the motor and of the car in action, to the muscular and organic senses for ease, comfort and speed. In advertising, sight alone is directly involved, the other sensations being experienced only imaginarily or mentally

and so far as they can be realized by illustration accompanying words of exposition, description, persuasion or argument. In the sale of perfume, in personal selling we have the container itself attractively presented for sight and touch, and the contents to appeal directly to the sense of smell; while in advertising the sale depends on the effect on the imagination,—ideationally, of the picture of the container and the accompanying suggestion of fragrance in the illustration and wording.

Knowing the equipment of the buyer for perceiving, imagining, remembering, reasoning and willing, and knowing that different impressions affect the feelings differently; that the buyer has different motives, interests, emotions, habits, and different moods and temperaments, we may prepare our ammunition in such a way as to obtain the best results.

We have seen how attention will play its part in making the sale. It must be held to the very last step in the process. Then in their order, often blended together so that no well-defined line of separation is possible, we have the obtaining of interest, which transforms into desire, and this into volition or the resolve to buy, and actually buying. In many cases all of these steps must be encountered by the salesman.

In many others modern advertising programs relieve the salesman of this preliminary work such as struggling for attention and interest; and yet in still other instances advertising takes upon itself the burden of leading the prospective buyer through every step of the process from attention to volition. From whatever angle or in whatever branch of selling we may be working we shall find the elementary procedure the same. If we are to take the entire burden we must obtain and hold the attention; arouse interest and create desire and final decision to possess. In this process the salesman representing either the wholesale or retail dealer meets with the individual;—the advertiser and letter-writer, with the group or class. The importance of each step in the process depends on the particular circumstances presented by each case. The fact that Mr. Charles Schwab is to be interviewed may make the introduction the most important part of the process. Then the fact that a buyer has been defrauded in a similar deal may make the problem of obtaining interest the most difficult. Furthermore, a buyer may long for an article immediately after examining it, yet recent reverses will prevent favorable volition. Blended together, therefore, in the complete process of

making the sale, and not always distinctly separable, are the following steps, which by reason of the support of the psychologists, may be regarded as established: 1, the introduction; 2, obtaining and holding attention; 3, arousing interest; 4, intensifying this interest into desire; 5, changing desire into decision to possess; 6, converting this decision to possess into actual possession.

IMPORTANCE OF THE INTRODUCTION

The importance of the introduction depends on the circumstances attending each case. It may be the most important part of the entire sales process. Being able to obtain it may mean that the sale is otherwise assured. It is certain that more time and thought should be given the introduction to a man like Mr. Schwab than to the average merchant. A proper introduction comprehends necessary preparation, what some writers prefer to designate as a good Pre-Approach. It should always take place at the proper time and under favorable conditions. The smaller merchant who is successful is generally busy with a customer, with his books, or the many other details of managing and selling. The larger buyer has

his routine which first commands his attention, conferences, correspondence and other responsibilities. Everybody is or ought to be busy. The salesman must expect to meet busy men. The introduction therefore may be the last as well as the first step of a sale if it is not properly attended to. The salesman must be patient, tactful, resourceful and aggressive. He can not force his way, and yet he can not let the suave buyer brush him aside with a smile. He must be confident, dignified, persistent, yet always a gentleman, never overlooking the fact that one never knows where the next sale may come from, and that very often the individual most difficult to approach makes the best customer eventually.

OBTAINING ATTENTION

Professor William James says regarding attention (*Psychology,* American Science Series, page 217: "One of the most extraordinary facts of our life is that, although we are besieged at every moment by impressions from our whole sensory surface, we notice so very small a part of them. The sum total of our impressions never enters into our experience, consciously, so-called, which runs through this

sum total like a tiny rill through a bowery mead. Yet the physical impressions that do not count are there as much as those which do, and affect our sense organs just as energetically. Why they fail to pierce the mind is a mystery."

Attention is the very center of vitality; the very life of consciousness without which it drifts uncontrolled. It brings consciousness to a focul point causing it to center itself on some particular thing. It can be centered on objects outside the mind as well as within; on some material object such as the article of sale itself, or on an imaginary picture of the article that has come to mind.

In whatever branch of selling we may be interested, the laws of attention and interest will have to be respected if our work is to be done satisfactorily. Whether the problem be that of the salesman in the field or store, or that of the sales letter-writer or advertiser, cognizance must be taken of what psychology has laid down in laws governing the processes involved in gaining attention.

WAYS OF GAINING ATTENTION

First: We may have to depend on increasing the intensity of an act or article to make

it focus the attention. We may have to develop a louder voice like the newsboy or barker, call out more constantly like the ticket seller at the circus, insert more lights in our electric sign, put brighter colors in our display windows or in our store. Second: We shall have to see that the intrinsic interest in the thing itself is sufficient to give it the power of obtaining and holding attention. If this intrinsic interest does not exist in the article, the attention value must be derived by associating the article with something that will command attention; something with resulting reward or benefit, or possibly punishment or loss, or suffering. We have found that man has a group of coordinated interests which are native to some extent, taking root in the instincts, or acquired by education and experience. This group of interests is the dynamic force which brings the buyer to play his part in this drama of buying and selling. The thing to which we expect to have attention directed must therefore have something in it or about it to make its appeal to some of these interests which will be enumerated very shortly. Third: In order to obtain the best results, we shall have to provide for accommodation of the sense organs to be used, so that the impression can be made with

the greatest effect, letting no noises, or smells, or unfavorable environment distract. Fourth: For very good effects we shall have to have the mind of the person in the expectant mood for giving attention. The advertiser has this in mind when he sends out such copy as the following: "Watch this space for our Saturday Bargains." "Lend me your ears—Mr. Sales Manager," the heading of an advertisement of a professional advertising man appearing in a magazine this month. We all recall the great advance advertisers' campaign of Dodge Brothers, which had the effect of preparing the minds of the readers for what was to come. The theater man also often takes advantage of this possibility of arousing expectant attention.

VALUE OF ATTENTION REFLECTED IN RESULTS

Attention brings out more clearly the thing on which it is focused. The colors of the gown or automobile, the details of machinery, the hidden parts of a picture or puzzle, whether they be presented to us actually in the object itself or only in the imagination, become more clear and distinct. This is important in perception and memory, we have found. The

clearer the impression the more perfect the perception, and the more lasting the image—just what we strive for in all branches of selling. With attention, sights and sounds and other processes become more intense. Colors which were at first unnoticed will become brighter, richer and more vivid; the sky will look bluer, the stars brighter, and the smell of the perfume will seem more fragrant. Similarly, attention to time makes it pass more slowly. The hours pass wearily while we are waiting for a train. The singer seems to hold the tone even after singing has stopped if the position and expression of the head and face have not changed. And so objects of sale themselves, or illustrations, or words of argument or suggestion, or head-lines will remain with us according to the attention given them. It is almost impossible to rid the mind of the pleasant strains of some new melody that has been introduced to us at some light opera performance.

It is natural to give attention to things which we have been taught by experience or otherwise to observe. A hill of ants will hold the attention of some persons for hours while others will pass over it unconcerned. In order to obtain the attention of those who are not interested, or who for some reason may not see the

details which we wish to bring out, something must be done to direct it, like labeling, pointing to with arrows or ribbons, or personally directing the attention. This directing of attention to things brings them quickly into consciousness.

Even volition is based on attention. Every idea resulting from attention passes over the arc of the nervous system from the senses to the muscular region resulting in some kind of action. If the attention is divided this weakens the response, may neutralize it. Hence the importance of having attention focused on one thing. Another important characteristic of attention is that it is short-lived, comes and goes in waves, flits about from one thing to another. It first lands or focuses on some particular thing and then momentarily passes from one thing to another until some other object elsewhere attracts it. The skilful advertiser, or window-dresser, or letter-writer caters to this tendency to be rhythmic by supplying attention something upon which to focus, and something associated with this to which it may easily pass and receive a reinforcing impression,—first to the automobile as a whole, then with the assistance of the salesman to the lines, beauty, durability, speed and other details; in

advertising and in the display window, something upon which to focus, like the maiden in the bathing suit, and something associated with this to which the attention may easily pass,—the gentleman perhaps, wearing the same brand.

Nor should we overwork attention by giving it too much range, too many objects at a time upon which to center. We can not have too many articles of different kinds in the display window, show too many ladies' suits at the same time and get the value of their distinctiveness; have too many words in the head-lines. One at a time is safest, although it is believed that as many as five will not be overtaxing the power of attention.

DIFFERENT KINDS OF ATTENTION

There is the attention that we give to things without effort. While some one is talking to us, or we are doing something that is boresome, the mind is inadvertently dwelling on our last golf game, or dancing party, or on some problem that has been giving us trouble. The will has nothing to do with this kind of attention. It is sometimes called non-voluntary. Then there is the attention that we give to things in

spite of ourselves, as in the case of loud noises, violent contact with something or some one, bright flashes before the eyes, or experiences which are emotional in their effect, like the delivery of a telegram with bad news. This kind of attention is called involuntary. We give attention also by act of the will. We have a reason or purpose or desire for giving attention and therefore will or resolve to give it,—voluntary attention.

IMPORTANCE OF PERMANENT ATTENTION

It is possible to obtain momentary or spontaneous attention by such devices as size, motion, contrast, isolation and position. The full-page advertisement, the large sign, or the large store will attract attention. The mechanical man walking the street or the demonstrator in the window will get attention. The seven-foot man with the dwarf, on account of the extreme contrast will obtain attention, but probably only momentarily, conveying no message or meaning unless there is something to hold the attention. More permanent in its effects is novelty, which makes us ponder, associate, question and think. Figures, forms and arrangements producing bizarre effects, the un-

usual, unnatural, grotesque, clever spelling, unusual locations and positions, catchy names, jingles, media such as doves, kites, sandwich men, contests, puzzles, prizes,—these are all examples of novelty. Novelty must be rather negative than positive, not having the appearance of being forced on the public just for the purpose of obtaining attention.

Colors, in agreeable combination, have a lasting effect. We ponder over them. We favor one or another of the color schemes in our home decoration and furnishing. Each of the favorite colors has its meaning. The red, and blue, and green, and yellow all have their significance.

An object itself should give the greatest attention value, yet if it can not be presented for explanation or demonstration, the picture of it will be important because many persons think in terms of pictures while others associate their ideas with words. In advertising the picture has become recognized as almost indispensable. Together with the head-line it obtains the attention of those who think in terms of either or both.

Activity or the suggestion of it has strong attention value. The salesman who takes us riding in the new car will overwhelm the atten-

tion with the complex activities involved in the riding. To one who rides in this auto there will be the panorama of scenery for the eye, the fresh and invigorating air for the nose, and the muscular sensations of speeding through space comfortably. The salesman who lets us use the dictaphone brings action home vividly and obtains and holds attention. The demonstrator in the window, the moving barber pole, even the man working in the street or on the building obtains attention. Not being able to have the actual, the advertiser uses the illustration and wording to suggest action. The comic, like the novel, if not obtruded for the purpose of obtaining attention, will be found paying well at times.

FEELING-TONE AND ATTENTION

We will remember that some of the many stimuli that pass over the nervous system to the mind, in addition to arousing mere sensations, go so far as to give rise to certain processes of feeling. We feel their agreeableness or disagreeableness, their pleasantness or unpleasantness. This element of feeling is a moving process, impulsive in its nature. It is an attribute of sensation involving its durability,

quality and intensity, and is called feeling-tone, or affective tone. Every article of sale that we present to a person actually or in word and picture, will have its pleasant, or neutral, or unpleasant feeling-tone. The presence of a rat is accompanied with an unpleasant feeling, while the presence of the dove is distinctly agreeable. Even the lines on the automobile will have feeling-tone, as well as the lines in the advertisements which we prepare. Good lines, harmony and balance will be necessary for good feeling-tone in window display. Disagreeable color combinations produce unfavorable feeling-tone.

APPEAL TO INSTINCT

Appeal to a fundamental instinct has strong attention value. All human interests, forms of human desire and types of human emotion spring from them. Appeals to love, hate, grief, anger, fear, ambition, envy, shyness, embarrassment, sorrow, gratitude, acquisitiveness, curiosity, imitation, jealousy, modesty, play, rivalry, sexual love, sociability, self-preservation, and other fundamental instincts or states of feeling and emotion springing from them, will have within them that something which

not only brings attention but results in interest and action, as we shall see in the separate treatment of the interests, desires and emotions soon to be given.

THE APPEAL TO HABIT

The instincts, education and experience develop in us certain habits, in a general way common to all. We may have differences in the performing of habits; may put on the right shoe first, dress in certain order, read a certain part of the newspaper first, eat in a particular way, shave according to our peculiar method, yet we all have the general habits mentioned. Some read extensively, prefer certain kinds of reading perhaps. Others read very little. Some women will knit and others can not or will not. Habits are formed in connection with our mental as well as physical life. We form mental habits of doing things, like figuring in a certain way.

Gillette made millions by appealing to the habit of shaving. Publishers have built up great concerns on the strength of reading. The newspapers have large sections of classified advertising on the strength of the habit of exchanging, bargain hunting, etc. Smoking is a

habit the appeal to which has built up the wonderful tobacco business of the world. We have been impressed with the power of the appeal to drink. I know of nothing that belongs more distinctly to the habit class than chewing, either tobacco or gum.

If we are to have attention therefore we must look to intensity,—not only in lights and noises and similar stimuli which may be only momentary in their effect, but in the salesman himself and in the sales manager,—his speech and actions and letters should be surcharged with intensity. The relation of the article to the buyer's interests should be brought out. Every possible means of distraction should be overcome. A focal point or center of interest should be provided giving attention the opportunity to flit from place to place and with each change of position obtain a new and reinforcing impression of what we are trying to drive home. If we will be reasonable with attention, letting it center on a few things or groups of things, we shall obtain the best attention value. Novelty when not overdone can do much for us, and color will always play well. Objects of sale themselves or pictures of them have stronger attention value than mere descriptions of them. Then plenty of action is always good.

Feeling-tone is almost fundamental; and appeal to interests, motives and habits no less important.

So important is the matter of obtaining attention that each sales manager with the aid of his organization works out a standardized method whenever possible in personal selling. In house to house canvassing this works very satisfactorily. You have heard how certain companies have had their salesmen secure attention and interest in fixed ways; tearing the paper wrapper from the can of syrup, handing the can to the woman at the door and then placing himself in such a position that he could not take back the article conveniently until he had finished talking, all tactfully carried out with the idea of getting and holding attention. Take the electric hair clipper now on the market. Careful study on the part of the sales manager may have convinced him that the most satisfactory way to secure attention and eventually sell this article is to obtain permission to install it for a reasonable length of time and let it sell itself.

WAYS TO AROUSE INTEREST

Interest is a secondary mental activity following attention. We must first obtain the at-

tention, then possibly the interest will follow. It is attention with some degree of concern. Whatever will arouse interest is bound to get attention, yet whatever will get attention will not necessarily arouse interest. In a general way, what are the interests? In the young person the interests are centered largely in play, involving toys, games, athletics, hunting, eating and drinking, clothes, collecting and saving; later, dancing, friends, camping and other activities incidental to indoor and outdoor life. Education later becomes an interest, and with it vocation and future welfare. As the individual develops, the social interests continue, and the vocational interests begin to center on business, profession, or other work. About this time the interests in the special tastes or talents will become stronger,—art, music, writing, designing, etc., taking a prominent place in the person's thoughts. The interests begin to turn to individuals at this period and center themselves around mating and marrying. These interests will include the home, its character, locality, the family, and the activities of the different members as they come. And so we find that different conditions and circumstances give rise to different interests, many of

which are common to all while others are common to certain classes or groups.

Things are interesting which provoke emotion, such as joy, surprise, reverence, hope, gratitude, and feelings with emotional coloring such as pride, love, the moral feeling of obligation, and faith. The strange if not so strange as to become meaningless has interest value. The things with which we are most familiar, the routine of our lives especially when reflected in new ways, is interesting, the work in the home and the methods of doing it, the routine of the office, the routine of teaching or other work, farming, mining, railroading. Surely there is interest in what we desire, there is interest in what appeals to our habits. There is strong interest in the things which we may have a tendency to emphasize, such as art, music, dancing, golf, horses, cards, racing, swimming, and other athletics.

Professor James (*Psychology,* page 193) sums up the situation regarding interests substantially in this way: "..that each mind's appearance on this earth is conditioned on the integrity of the body with which it belongs, upon the treatment which the body gets from others, and upon the spiritual dispositions which lead either to longevity or destruction. Its own

body, then, first of all, its friends next, and finally its spiritual dispositions, must be the supremely interesting objects for each human mind."

Some articles of sale are in themselves sufficiently interesting to obtain consideration. The aeroplane and the wireless machines, on account of their novelty, will attract crowds of interested individuals. Other articles, not in themselves interesting, must be associated with the interesting. To obtain interest in cement it must be associated with interesting construction work, wonderful dams, factories, business blocks, homes, or unusual engineering projects. Interest in asphalt is brought out in the fascinating story associating it with the perennial sunshine of the tropics which for centuries has seasoned this product as only nature can. Coffee, in itself uninteresting, when placed in the display booth in an environment that is appetizing, becomes interesting.

Business is the center of interest to the business man. Examine it and you will find that it will boil down to the problem of make and save. Acquisitiveness is the explanation. Show the business man how to make or save; how to overcome competition; how to keep down outstanding accounts; how to put a business on a cash

basis; how to construct plant buildings economically and efficiently; how to create a demand for his goods; how to advertise; how by frequency of turnover to increase profits even though the profit per unit be less; how to do the hundred things that other business men do to make or save, and you will get him interested.

DESIRE AND ITS PLACE IN THE SALES PROCESS

Desire has relation to the future, what may or can be, and therefore depends on the imagination, the only means of reaching the future in thought. In desire there is a consciousness of want together with the impulse to get what is wanted. There is an accompaniment of feeling with it that is either pleasant or painful. If we desire to accomplish something, there is the feeling of pleasure in trying. And so in the desire to aid some one, for example, there may be the painful accompanying feeling in the knowledge that the some one is in trouble. The very exercise of volition, which is the next step in selling, hinges on desire, the impulse of desire leading to effort and action. For this reason desires are called motives. Some desires arouse deliberation and thought and are called rational. We desire power. To obtain

it requires the most careful thought and effort. Other desires are unintelligent, not arousing thought, resulting in action by reason of their accompanying impulses. In hunger, thirst, curiosity, anger, parental affection and the like there is accompanying impulse or prompting to satisfy desire. These tendencies, or propensities, are called mental or psychical instincts because of their coordination with the physical and psychophysical instincts. This prompting or impulse of desire is either selfish or altruistic, the desire to take for the benefit of self, or to give for the benefit of others. The group of selfish desires has a physical or mental basis as the list will indicate. Included in the list are food, drink, sleep, sex, movement, living, pleasure, property, knowledge and power. Under the altruistic group are such as the desires toward kindred, friends, country, mankind and God. (See Davis, *Elements of Psychology*, p. 294.)

We recognize certain needs of mental as well as physical life and desire to satisfy them. The desire to continue in life is instinctive yet involves mental action in satisfying the desire. Life is sweet and dear to us and when threatened makes the desire to live override everything. There is a universal desire for pleasure

which is accompanied by the plan and effort to secure it. Other forms of desire are acquisitiveness, ambition, sociality, imitativeness, emulation, approbativeness, affection, including love and hate. Then springing from affection we have pity, kindness, gratitude, reverence, love of kindred, including conjugal love, paternal, maternal, filial and fraternal. By association these are centered in love of home. Friendship gives rise to the desire for fraternal, club and church life and societies. Patriotism is love of country. Philanthropy is the love of all mankind, and piety is the love of God.

Desire is effected by environment and circumstances. The desire for food or drink is effected by the character of surroundings. The advertiser of meats is careful regarding the effect of environment, so very careful that he keeps the idea of the animal itself entirely out of the advertising, or idealizes it and its surroundings to prevent unfavorable suggestion. The retail dealer is careful in the display of foodstuffs, candies, drinks, etc., giving them a pleasing environment, above all,—clean. And so it is with sleep. If the environment is not pleasing we go elsewhere. That is why the hotel lobby is regarded as the most important

part of the hotel structure by some managers, who may be making the best of a bad situation.

We have found that everything that is interesting has attention value, but that not everything with attention value is interesting. We find again that the group of desires is interesting, but that the group of interests does not correspond with the group of desires. Many things that are interesting may not be desired.

VOLITION IN SELLING

Reflex, instinctive, or emotional movements are not dependent on the will. These movements take place without deliberation or thought. Many other actions result only from operation of the will, and these are called voluntary. Through the reflex and instinctive movements we first learn the movements that afterward become voluntary. The essence of voluntary action is the resolve or consent to act; what James, Angell and other psychologists call the *fiat*. We resolve to have the apparent consequences of an act become real, and actual. We resolve to purchase a suit of clothes because of the consequential condition of good appearance. There is a period of unrest, of indecision in voluntary action in which some of

the arguments or considerations involved in the sale, block it, while others invite it; a period in which there is a constant conflict of motives, some standing out strongly at one moment and others predominating at another moment, and all motives in the background of consciousness having their encouraging or inhibiting effect. Sometimes this condition keeps one oscillating for months in favor of a certain decision and then against it.

The actual presence of articles of sale, or the thoughts or representations of them, will start action of some kind. The possible pleasure or pain which this action will bring will add impulse to or inhibit action. If a movement is agreeable we wish it to continue and if it is disagreeable we want it stopped. Instincts have much to do with action; whatever appeals to them will have a tendency to produce action. Whatever appeals to the feelings and emotions will produce action, there being great impulsive power in such emotions as love, terror, rage, etc.

Holding the attention to the very last is necessary for action of the will. Continued or determined presence in consciousness gives or takes impulsive power. Articles of sale, arguments, advertising, sales letters, must all remain constantly interesting, continuing to be

pleasant to the very last, continuing to dwell on the great group of interests, continuing to appeal to the feelings, habits, motives and emotions. This attention must dominate, with no other ideas to displace or inhibit it, no reasons for action to the contrary. This volition is expressed by such motor response as writing out the order, signing, requesting shipment or some other significant act.

Professor Angell (page 345, *Psychology*) says: "Volition as a strictly mental affair is neither more nor less than a matter of attention. When we can keep our attention firmly fixed upon a line of conduct, to the exclusion of all competitors, our decision is already made. In all difficult decisions the stress of the situation exists primarily in the tension between the ideas representing the alternatives. First one and then another of the possibilities forces itself upon us, and our attention will not rest for more than a moment or two upon any one."

The modern business man is careful to eliminate all distraction. The retail dealer invites the prospect into a separate room or booth where there is the greatest opportunity of centering and holding the attention. Since the stress of the situation exists in the tension between the ideas representing the alternatives,

the quicker we can bring the consideration to but one or two articles or propositions, the nearer have we come to action. After showing our line of suits, by exclusion it will be well to eliminate all but the one or two in which the person is most interested, finally reducing to one.

The imagination is important in volition. It represents by anticipation the consequences of the purchase. It takes us into the environment in which the article is to be used—in the home, on the farm, in the office,— pictures its adaptability to needs, its possibilities of giving the comfort and pleasure which is sought, of satisfying the buyer who must use it, beautifying the home which must be painted with it.

Volition is further conditioned on desire which gives the motive for choosing, and the cause for this subsequent effort of purchasing. Hence the importance of keeping constantly before the prospective purchaser the adaptability of the article for satisfying desire. An excerpt from a honey advertisement shows how the advertiser appeals to the desire to eat. "You've tasted things that 'simply melt in your mouth' with goodness. Try.....Honey—there's no taste—no flavor in the world like honey. Its rare goodness is due to the great care which

governs every step in its production, grading and packing—from flower, to bee, to you." I find the following in an advertisement designed to appeal to the desire to live: "The radiancy of healthful beauty....the irresistible fascination of a natural complexion lavishes the finest positions that ambition can desire." In the appeal to the desire toward kindred the insurance man says: "Here, sir, is your opportunity to keep poverty from the threshold of your home after you are gone. Your wife and children must be protected."

In connection with volition it is important to consider a class of movements which do not depend on volition but follow from the mere thought of such movements. Action of this kind which results immediately and unhesitatingly without the interjection of what we call the fiat or resolve, is what we have already described elsewhere as ideomotor action. While we are talking to some one, he takes out his cigars, hands us one, lights one and smokes without interruption. While reading a book one takes out one's watch and tells the time. Walking, playing the piano, driving the car, seem to require no distinct impulse of the will. When we read such commands as, "Sign and return this coupon to-day" we often obey.

There must be nothing to hamper this kind of action. If unhampered, suggestion becomes very effective in obtaining results.

THE POWER OF SUGGESTION

What do we mean by suggestion? It is a hint, an insinuation, calling up one idea by the use of another associated with it, bringing indirectly before the mind an idea by partial statement, incidental allusion, illustration, question or the like. It is based on ideomotor action. Due to the fact that suggestion works from the sensory to the motor end of the arc without being complicated or delayed by deliberation and the will, we call it an appeal over the short circuit. It is an appeal to personal interests, motives, personal habits, emotions,—fundamentally to the instincts. We have it exemplified in the store display, in letter-writing, advertising and personal selling. The manufacturer says to the retail dealer: "You have not overlooked the importance of having your cement bins full for the great spring business." In the display window there is the symphony in brown, dresses, hats, veils, shoes, hosiery,—a complete suggestion for the woman who will be up-to-date. The advertiser pictures "The

Ham What Am" in the center of the picnic lunch, or places the golfer on the green in action with a Hole-Out putter.

We have respect for advice if it comes from one in whom we have confidence. It is so with suggestion. The prestige of its source has much to do with its power. Reliability, reputation, age and such qualities are important.

Suggestion may not have its effect immediately. Very often it must be repeated and given variation. In order to get attention, the suggestion, like letters and advertising, must have intensity and force and vigor. If it has not the interest and attention value it is worthless. It must be striking; must come again and again from one angle and another; appeal to one interest or motive and another.

Like other conveyances of appeal, these suggestions must be in harmony with established customs, habits and belief. We can not suggest high priced articles to the working man, nor low priced apparel to the assumed connoisseur of fashion. We can not offer German made goods openly. Rather what people need and want and what will appeal to the regularly established habits and customs is what should be suggested. As Walter Dill Scott says in *Influencing Men in Business*: "In in-

fluencing men, logically reasoning is never to be used alone. After arguments have been presented, skilful suggestions should be used as a supplement. This supplement often changes threatened defeat into success. The skilful pleader before the jury, the wise politician, and the successful superintendent of men, all alike are compelled to resort to suggestion to supplant their arguments in their attempts to influence men....The general public responds more readily to suggestion than to arguments."

A sale is not made until the order is placed. At this period when the arguments have been presented and the person is yet undecided, suggestion works most effectively, the right act or word bringing the results. These suggestions are made by writing out the order, handing it to the person for signature, asking how he prefers it sent, wrapping it, asking for permission to wrap the article, handing a pen or pencil for signature, thanking him with the assumption that the order has been placed, talking and acting with this assumption like handing him the cigar. To-day I was shown two tires that did not appeal to me. I expressed preference for two other tires regarding which I had previously talked to the proprietor of the store. After expressing approval of my inclination to

make the purchase, the salesman immediately brought two tires from stock to the desk in the office, wrote out an order and handed me the pen without further questions or arguments. I signed the order.

THE SALES ARGUMENT

Preparing the sales argument is a process of standardization. The very fact that we are interested enough to prepare a sales talk is sufficient proof that we are looking for the best. We have just examined the different stages of the selling process. With these constantly in mind we can frame our sales talk, and this applies to the salesman at retail as well as at wholesale. Selling at retail as well as at wholesale has got to the point where scientific methods must be used. Special preparation, in many cases in the special school, is now being provided by the large retail establishments.

Study and experience in the sales of an article enable the collecting of data for providing the most scientific methods of selling. Possibly we shall begin by standardizing the very introduction. We study our article; we experiment with it and find that we obtain the most satisfactory results by letting the sales-

man introduce himself in a certain way. For the time being and until something better can be established, this, then, is the method that all salesmen will follow. Since the great wave of standardization swept the manufacturing or operating end of the business world there has been a strong tendency to extend its principles to every branch of business. We find our selling organizations taking over the principles of efficiency framed and adopted by such men as Taylor, and applying them to the management of sales and other departments. After having demonstrated their pulling power on the few, letters are sent out to the many. Their work is keyed and preserved for future reference. If they do their work well they are used as a basis for others to follow. In our schools of salesmanship only what has been discovered as the best is being presented, the old and unsatisfactory being avoided and replaced by the new and better. Long ago the railroads found it advisable to standardize in every department, the standard code of operating rules and the government's standards of specification in the construction of equipment being classics in this line.

Standardization therefore means being fit, properly prepared, equipped and qualified. It

substitutes good dependable knowledge for imagination, supposition and guess. It affords the strongest, most forceful, most impressive method of presenting the sales proposition. That great clearing house of ideas and experiences, the sales office, becomes a storehouse for the best. The reasons for successes and failures are recorded there, and all of the statistics and other data from the field or shop.

We need not worry over the possibility of its destroying the individuality of the salesman. If he is a salesman the talk will not be unnatural and over his head; not like a recitation. It will be assimilated to be expressed in his own way; elastic and adaptable to any case, with a talk for the small-town dealer and another for the banker of the large city. The standardization will be of thoughts and methods rather than of language, and yet with the language at its best. Each selling point or argument will stand out in a paragraph or series of paragraphs, having its logical relation to the entire argument, thus enabling the salesman to adapt his talk to the conditions prevailing. Some buyers, due to good advertising, are almost sold when we reach them. The entire argument would be a bore to them. So much for standardization of the sales talk.

Now how shall we prepare it? First we must determine what we wish to establish, then gather the material for proving this; take this material and arrange it in satisfactory manner, and provide for presenting it in the best of form. The company has designed and is making an article that it believes supplies a certain need. It is a light tractor that will do everything that any other tractor will do and more. This, then, is what the argument should aim to establish. Here is a bed designed to have wood for beauty and steel for strength, a good combination. This may be the thought to be established. Here is a table service designed to appeal to the clever woman who is distinctive in her demands in this respect. On articles that are well known, like kitchen utensils, a talking point like endurance may be the only idea to establish, with all of the qualities possessed by it that other articles possess being brought out incidentally. Special qualities of this character are brought out even in the trade-mark, like "Wear-Ever" for example. The magnitude of the proposition will determine the character and extent of the proof and the method of presenting.

If the sales talk is to be scientifically prepared we must observe the different stages of

the selling process. What shall be the method of approach and of obtaining attention? How can the laws of attention be applied to the proposition? After carefully scrutinizing our data, what do we find that will serve best to obtain and hold interest? To what particular desires must we appeal? Surely the character of the article or offer will have much to do with this. It is a case of bringing the buyer before us in the mind's eye, considering his equipment like the senses, instincts, feelings, desires, habits, emotions and special interests; his power of imagination, memory, reasoning and willing, placing our article or offer in juxtaposition and linking them together, with the buyer.

What is some of this important data? The man who designed or planned the manufacturing of the article had a fixed purpose; intended it to fill a certain need. Perhaps after it was produced it was found to fill certain other needs not originally contemplated. Whatever the case may be we must know uses and prove advantages and adaptability. We must know the article or goods and every detail regarding their manufacture. We must be able to handle the price question diplomatically, justifying the high price with quality which always makes price insignificant, or with the making or sav-

ing advantages, which far outweigh the objection. We must know our competitors and their products, their selling points compared with our own, because the buyer of to-day, professional or otherwise, is a man or woman who compares. Service can not be overlooked, nor policy. Service alone sells many an article; policy many another. I have seen trainloads of material loaded and kept ready for billing to buyers who needed special service, and I have known of sales managers who have traveled for many a month in order to get the pulse of the trade regarding policy. Not until we can convince a dealer that there is a community of interest that is virtually equal, between him and the manufacturer or wholesale dealer, have we a policy;—not until he feels that our interests are his interests, and his interests are our interests, and that the manufacturer and dealers are all members of a great business family working together.

REGARDING OUR ENGLISH

How important in the business world is money, the great medium of exchange of goods, etc., and yet how important is language, the medium of exchange of thoughts, and knowledge.

In selling we are constantly making contracts, representations; describing, explaining, appealing, educating to the uses of our product, constantly using English. The spoken word of the salesman and the printed word of the advertising man are the only satisfactory means of communicating these descriptions and appeals and arguments. If our selling is to be at its best our English must be at its best. The sales talk must have its attention; the language of the salesman must be good; the language of the office must be good. Language has much to do with feeling-tone; it leaves a good or bad impression. No less important than impression is the matter of having what we have to say conveyed in good clear language. Misrepresentation is frequent but honest, perhaps, because the English is not clear. We failed to convey clearly to the buyer the idea fixed in our own minds. Unless our English is clear enough to make our minds meet squarely on a proposition our selling will be deficient. Needless to say that our ideas must have relevancy, bearing directly or indirectly on what we are trying to convey, and our English must be charged with that element most advantageous in selling,—force.

With a superficial knowledge of their pro-

fession, men will be successful because of their command of English. They may know little law and yet have good bank-accounts because they talk well, especially before a jury. Their English gives them a veneering beneath which the great public does not seem to go. It gives a valuable finish which can be lasting and genuine only when knowledge and character are beneath.

Why not start in by eliminating most of the slang, if we would improve? When we get it from every salesperson, every mechanic, every farm hand, every schoolboy, it becomes cheap and monotonous. It gets a little rusty and trite to hear every one designated as a "bird" or a "guy." Why not eliminate the profanity so freely and so generally used by many salesmen that it becomes tiresome and repulsive even to those who must themselves use it occasionally, and has surely lost its force? Why not obtain good elementary works on English and study them? Then let us study the English peculiar to our line; let us know its vocabulary. If the advertising department has a supply of good catchy words or phrases let us make them our own to use in personal selling as well. Surely each salesman can study his sales talk and improve its English.

CHAPTER IV

THE SALES DEPARTMENT

A WELL-KNOWN sales manager formerly of Denver, now in New York, when hiring a man tells him that he expects the salesman eventually to equip himself for stepping into the sales manager's position. He wants his men trained and ready to go higher when the occasion demands. In every good organization it is the desire to select executives, whenever possible, from within the ranks. The salesman therefore can not afford to draw a well-defined circle around his position and say that he will do only so much and no more. He must acquaint himself with the work of his superiors and with the positions possible of attainment in his particular line of work. Instructions like the following come only to those who are prepared: "We shall expect you to go to Blank, establish suitable sales offices, hire the salesmen necessary, train them, assign them to territory, and obtain a market for this product. You will supply yourself with assistants and other necessary help,

arrange for the purchase of all equipment including furniture and fixtures, printing, bookkeeping, quoting, invoicing, collecting and banking. We shall hold you responsible for all money collected and paid out. The entire sales organization, offices, men and equipment will be turned over to you to get results." Here we have a bird's-eye view of the work of the sales department.

THE SALES OFFICE

The location of the office is important. A sales manager and his office must be in constant touch with his salesmen. The necessity of their getting back and forth to and from the sales office as frequently as is necessary must be kept in mind. Equally important is the possibility of contact with the trade itself. Buyers, dealers and the public have business of one kind or another much oftener in the larger centers than in the smaller ones. The shopping facilities, higher standards of professional men, the hotel and railroad accommodations, theaters and other attractions bring the public to the large cities. Manufacturers and jobbers realizing this locate their offices in these cities. The modern buildings, well-located, modern of-

fices, mail service, the possibility of obtaining efficient help, of getting different kinds of service incidental to the large office, purchasing, contact with credit agencies and associations, banking facilities and living conditions all make the large center the one generally selected for the location of the sales office.

THE SALES ORGANIZATION

Needless to say the size and character of a sales organization depend on the amount of territory involved, and the intensity of consumption per capita of the article being sold. In some lines of business the volume of consumption per capita and the resulting sales run very high while in others they run low. Where they run high it is necessary to have great organizations centralized at some important city with many branches or district offices located at strategic points in the territory served. The greater the organization the more specialized and delegated the work becomes.

An organization is not an organization when there is no carefully outlined plan of jurisdiction of the different departments. The sales department can not be usurping the jurisdiction of the operating or traffic or auditing de-

partments; nor can any one of these overstep and interfere in matters rightfully belonging to other jurisdiction. A general manager should have jurisdiction that rightfully belongs to him. To him should report the head of every department, including sales, traffic, auditing, operating and other main departments, but not those which are interlinked in an auxiliary way with one of the main group. The advertising department may in some cases take the place of the sales as in mail-order business, in which case the department should report to the general manager. In the case of advertising generally the jurisdiction should belong to sales. Being closely associated with and bound up in the work of the sales department the best results can not otherwise be accomplished. The work of a traffic department is generally so well divided between all other departments, that no one can logically claim jurisdiction except the general manager. And so with the auditing; its work is divided between all of the departments, sales, traffic, operating and advertising, and it rightfully belongs to no other officer than the general manager. So far therefore as the sales department is concerned it should claim no more than careful and willing cooperation from other departments, and

should have entire jurisdiction of the advertising only when the work of this department is in nature subsidiary to it.

In the district sales office immediate authority must be given the manager which may involve supervision of the bookkeeping traffic, credits and collections, and banking, yet the jurisdiction should remain in these departments in the general office. Directly within the manager's jurisdiction should be such departments or branches of sales work as territory, hiring and discharging salesmen and office help and training thereof, office records and reports, councils, meetings, letters and bulletins, all of which will also be a part of the work of the general sales office. To the general office will also belong such work as publishing the house organ, planning and trade promotion, quotas, contests, conventions, expense accounts, advertising, in fact all work which can best be done by being centralized in the general office. To the district office will be delegated only that work of immediate consequence to that office which can more satisfactorily be taken care of by it rather than the general office.

RECEIPT AND FILLING OF ORDER AT WHOLESALE

The sales department, having charge of the marketing which includes the solicitation, advertising and delivering, must have its way of presenting orders to the plant for filling according to specifications. I have heard sales managers claim that the shipping department at the plant should be under the jurisdiction of the sales department. I have heard others contend that it is distinctly under the operating department and no more than proper cooperation should be expected. The routine of receiving and filling an order will throw light on the reasonableness of each claim. By letter or wire or phone, an order comes to the sales office, always confirmed if it is phoned or wired. Acknowledgment is then sent to the customer, and the copy and the original order sent to the order department, numbered and written up on a regular form to be sent to that plant concerned. The original of this order to the plant is filed by the shipping department at the plant and the copy retained by the sales office. All orders are accepted subject to the approval of the sales manager and the credit department. They are therefore approved by the departments concerned before being sent to the plant.

The shipping clerk has charge of the orders after they reach the plant and is subject to the instructions of the sales department in taking care of them.

REPORT OF ORDERS SHIPPED

On instructions from the sales department, the shipping clerk at the plant lays out the loading program for each day. As the cars are loaded, bills of lading are prepared giving a description of the shipment, the name and address of the consignee, routing, etc., which bills must be signed and accepted by the local railroad agent in authority. A report is then made daily by the shipping clerk showing the names of the consignees, destinations, descriptions of shipments, car numbers, weights and similar information, and sent to the sales department for invoicing purposes. If the district office handles orders direct, a copy of this report goes to the district manager and one to the general office for checking purposes. From this report the sales department, after making proper extensions, inserting rates, prices, etc., prepares the invoices. The invoices are mailed daily to the different consignees reported. Usually some incentive is offered for prompt

payment of bills, and the invoice allows a discount for cash received within a certain time, usually ten days, and also provides a final period for net payment.

SALES OFFICE FORMS AND RECORDS

A sales manager must keep constantly in touch with the business that is done, determining where it may for some reason be decreasing or where it may be increased. The nature of the business will have much to do with the detailed character of the records to be kept. The salesman, being the man on the ground, should be able to furnish and keep constantly up to date, records that are indispensable to the sales office. Generally speaking, such information as the following is valuable; name and address of the dealer, the name of the owner or manager in charge of the business, the brand or brands handled, what his volume of sales normally runs, the quantity which he has on hand. It is well also to mention quotations made in order that these may be checked. When a dealer may be in the market again should be reported. His attitude toward the salesman and his company should be known. Any claims or cases of dissatisfaction should be carefully investigated

and reported. The prospective business in the territory, such as proposed construction, is welcome. The salesman can make his report a perfect barometer of conditions in the territory which will enable the sales department to follow up all cases of dissatisfaction, all prospective business or other detail that may need attention from the office. In this report the salesman can ask for whatever cooperation or information he may need, and make any suggestions that will enable the different departments to give the customer or prospective dealer the service that he should have.

The reporting of shipments furnishes a valuable record. Suppose that we have a record of each customer giving such details as dates of shipment, factory numbers, car numbers and initials, routing, quantities shipped, the dealer's order numbers, prices per unit, freight rate and destination. Such a record gives a graphic standard for future use.

The route sheet is indispensable, acting as a saver of time and expense and having statistical value of importance, enabling the sales manager to obtain such information as the number of towns and dealers called upon per day, the average expense per call and the average time spent with each dealer.

Some companies find it profitable to prepare these route sheets in the office, while others leave the preparation to the salesmen.

The tickler or follow-up system of the sales office is very important. Matters which should have attention periodically or at special future dates are placed in files to be returned when needed again. At the suggestion of the salesmen and with their cooperation many special letters, or advertising must be sent out at certain times to certain persons. The follow-up system brings all of these matters before the sales manager daily for his attention.

In the sale of certain kinds of material, like building material, it becomes necessary to protect the price until a job is completed. This is done by contract. These contracts provide in substance that regardless of any changes of price in the market, the material for the work described will be furnished at the price fixed in the contract. This enables the contractor to bid on work at fixed prices. For some time after the war there was a strong tendency not to protect prices in this manner. Contractors were forced to go into the open market and purchase for the owner of the building at prices prevailing, charging a certain commission for their work of construction and supervising.

These contracts and the records and reports of shipments thereon are important to many a sales manager. He must know that the material which he has contracted to furnish goes into the work for which it was contracted and is not sold on the market which may in the meantime have advanced materially. It is needless to mention the convenience and necessity often of such articles as good maps and charts and the accessories for marking and changing them from time to time with information valuable to the sales office. Companies now specialize in this line of equipment and have many things to offer.

HIRING SALESMEN

Is there a man in the business who can interview a salesman for a reasonable length of time and on the strength of what he claims to be his knowledge of men, judge him correctly? There is not! Hiring salesmen is important and it takes time. If we are to have the men with the characteristics which have been dwelt on in the first pages of this volume, we can not hire on a single interview, nor on the judgment of one man. We want our salesmen to have personality, to be able to command attention, make the customer listen and think and do.

We want them to look well, to have a pleasing manner, use good language, be tactful, energetic, honest, to pronounce and articulate well, to be active yet easy, sincere yet cheerful, thorough, resourceful, original, and to have initiative. These men can not be selected in one interview.

TO THE SALESMAN APPLYING FOR A POSITION

Let me say to the salesman who may be reading this volume, that he must be able to demonstrate his qualities in applying for a position. The greatest mistake that applicants make is in failing to realize that their purpose in applying is to try to sell their ability and service to the sales manager. Many of them never come back a second time. Hopeless would they be as salesmen if they were to carry out this practise. Give the sales manager plenty of opportunity to judge you. Some men make a good first impression but do not wear well; others, like good wine, get better with age. If your history is good tell it. If you have had to fight to get along; struggled for your education; "plugged" along since you were a boy, tell it. Prove that your habits are good; that you are conscientious, desirous of learning, industrious, wanting to be doing something worth

while instead of gambling and drinking or otherwise amusing yourself. Come down to brass tacks quickly in your conversation. Be earnest, enthusiastic, meet objections as well as possible. Watch your voice and language, and be a good listener as well as talker. Sales managers look for character. They want the man not only with the ability but who is willing to work, honest, economizing to a reasonable degree in his expenses, looking after the interests of the company as if they were his own; not leaving the field on Saturday for a long trip to his home and losing that Saturday's business; not leaving home on Monday morning for the field and losing that Monday's business. They want the steady fellows, the grinders who can show steady increases, persistent, willing to learn and obey; honest and loyal. Those men will go higher; you can not stop them.

Even the matter of hiring can to a certain extent become standardized. By the experiences which we have had in the past we learn what to look for and avoid in the future. The forms of application should be sufficiently in detail to get an expression from the salesman on important matters, bringing out not only such details as personal history, experience, and other information called for in the usual stereotyped

form of application, but serving as a kind of brief preliminary examination of the salesman's qualifications for the position.

The nature of the sales work required will have much to do with the character of the men to be hired. Some organizations regard their work of sufficient importance to insist on having none other than men who have had college or university training. This is said to be the latest policy of one of the largest plaster and plaster specialty companies in the country, which company has also taken a great step forward in the training of the men already in their employ. Companies insisting on standards as high as this are necessarily in position to offer inducements for retaining such men in the future. Here is a step toward standardization in employment of salesmen that will be followed by others just as important. Some companies have in the past preferred to hire salesmen who were technically trained, but have not insisted on this training provided it could be later acquired.

THE TRAINING OF SALESMEN

Fifteen years ago or longer, one could step into the offices of the transportation department of any city railway company and find a

department for training motormen and conductors and other employees. On the platform of the instructor would be a controller and possibly the front and rear platforms of a car if not an entire car. The general appearance would be that of the lecture room of the university. Every man who expected to take a position was compelled to take a course of instruction, and after being employed to keep "brushed up" with lectures, demonstrations, etc. Written examinations were required by some companies before giving employment. Hypothetical cases were presented for the applicants upon which they were to pass judgment. Since that time we find special instructions being given in almost every line of business, in every department. Manuals, some of which are as comprehensive as a complete course in business study, primers, bulletins in series, house organs, conventions and other means are all the result of this idea of giving proper instruction to the salesman. Bulletins serve to keep the interest alive, and to present facts that are timely and of immediate importance. Many of the smaller organizations depend entirely on bulletins to keep the salesman instructed. Very complete correspondence courses are now being given by some large

concerns to their employees. One of the largest gypsum companies is in this manner instructing its salesmen. Such subjects as building plans, reinforced concrete construction, plaster and plastering, are taken up and written examinations periodically required.

WORKING WITH A DEFINITE AIM

A definite aim or set task, a pace like that demanded by the athlete, makes men do better work. Let the quota be set for comparatively short periods like weeks or months rather than years, and the spirit of rivalry will bring much better results. We are born with an instinct for combat and rivalry which explains the success of contests, quotas and other means of stimulation. But there must be prospective gain or reward, without which effort to make quota or win contests is as uninteresting as poker without money to a professional gambler.

Just as important to the success of the contest or other set task is life and action, vividness and realism. This demand is met by letting the organization represent ball or rowing teams, horse races, football and other popular sports. The scores of the salesmen accompanied by a newsy bulletin are sent out periodically,

interspersed with wires, personal letters, telephone calls, etc., to keep the men thoroughly in action. The value of a contest was brought home to me a short time ago when the salesman of another organization selling advertising specialties had been calling on me for a large order of Christmas greetings. He worked incessantly for several days and finally, upon landing the order shook my hand and said most enthusiastically: "There, that puts my bunch in the lead again. We have a big contest on and I could not leave the city without your order."

Establishing bonuses is very common practise in all lines of business including retailing. In most cases it is comparatively easy to fix the basis of the bonus and in others it is difficult because of the nature of the business. In the cement business it is difficult to establish bonuses because we can not point directly to the amount of tonnage for which the salesman is accountable and should obtain credit. The cement company builds up a fixed line of patronage, the dealers once buying the brand continuing to do so exclusively until they find good reason to change. Their orders come mostly by mail. The business which develops is often unusual especially in the large cities where

great constructive programs may be in progress. The point system seems to be the only satisfactory way of applying the bonus in such cases. Certain points are allowed for certain good work done, each point representing a fixed amount of reward, as one, two or three dollars. This gives a flexible system by means of which the salesmen can be encouraged to improve in different ways in which they may be lacking or weak. For any negligent omissions or commissions, deductions may also be made provided their total does not affect the amount of salary allowed, should the deductions be more than the total amount of bonus accumulated. Such a system makes it possible for the salesman to make, with a perfect score, an additional amount of money each month depending on the size of the bonus planned. Good judgment on the part of the sales manager and the tendency to be rather liberal than narrow in the application of the bonus will keep the salesmen pleased and interested in meeting the wishes of the company in doing their work. Points of efficiency and inefficiency are constantly brought before the salesman, of which information he is bound to take advantage if he be reasonably conscientious.

MEMORANDUM OF BONUS ALLOWANCES*

	Points Allowed
Good appearance, cleanliness, courtesy and pleasing manner	10
Knowledge of selling, including knowledge of the company and its goods or proposition	10
General ability displayed in the field	15
Reporting and cooperating	10
Obtaining contract and other business for the local dealer	10
Economy in the expense account, routing and generally	10
Perseverance and thoroughness	10
Obtaining new dealer accounts and holding old ones	10
Other good work not mentioned but regarded by the sales manager as worthy of credit	15

For wilful or negligent failure to cooperate as outlined above, the sales manager reserves the right to make deductions equivalent to those mentioned. This arrangement shall in no way interfere with the agreement which has been made regarding salary. The bonus allowed is three hundred dollars maximum for the year, which until further notice shall be credited and paid quarterly.

*This system may be changed from time to time to suit conditions which may arise.

RELATION OF THE SALESMAN TO ADVERTISING

You have seen the illustration of the tug of war between two calves each after a pail of milk just out of reach. They tugged and pulled but neither got anywhere. Finally they decided to pull together with the result that they went first to one pail and shared it, and then over to the other.

Possibly an advertising campaign, in spite of the salesmen, will pay, but it will pay much better with their cooperation. Why should any salesman take a position against the advertising campaign? He can not afford to do it. Goods are often sold on the strength of proving to the customer that he is to be supported in his selling by a satisfactory advertising campaign nationally and locally. It has often been proved that advertising holds the old accounts and helps wonderfully to obtain new ones, many dealers refusing to sell articles which are not advertised even though they may have a longer profit per sale, because of the difference in frequency of turnover. Instead of increasing, advertising decreases selling costs by increasing tonnage or volume. When distributed over the entire output the cost per unit is very small.

This saving in selling costs gives an opportunity if necessary to improve quality.

If the salesman can show the dealer how to dispose of his goods at reasonably frequent intervals at a fair profit with each turn, he has produced a strong incentive for buying. Advertising provides this means. The manufacturer is constantly carrying on an extensive national campaign. By means of window display, cooperation from the sales force, and local advertising it is an easy matter to link the advertised product with the store of the dealer, and with a continuing campaign the two will become associated in the minds of the buying public. If I were a salesman I would be looking for every opportunity possible to get the local dealer to advertise my goods. I would want to have my place in his display window, and in the prominent and appropriate places in his store, with other goods that are associated with mine. I would want to have my place in the other advertising which the dealer does in the newspapers or otherwise, in the street-cars, circulars, letters, on bill-boards; in the heads of his selling force. I would encourage him to be a strong advertiser with all of the latest and best ideas. Such a program would help his sales as well as mine. Being the man

on the ground constantly talking with the trade I would feel that I ought to give the benefit of my experience to the advertising and sales departments by making whatever I regarded as valuable suggestions.

CREDIT AND THE SALESMAN

One morning a number of years ago, after spending a day's time and all of the energy and enthusiasm that I could get together, I succeeded in opening an account in an important city of Nebraska, the first that the company had been able to open there, after years of work. I was very much pleased, and a few days later walked into the sales manager's office believing that I had done the unusual. Among other matters he mentioned this new account with the following brief and cold comment: "I am sorry that we can not sell that fellow. His credit is absolutely worthless." Since that time I have not had to be told never to waste my time on a prospect that could not pay for what I sold him. We are building our selling ability on air if we do not realize the importance of getting the money for what we sell. Selling ability is not measured by orders so much as by profits. Profits and poor credits do poor team-work.

In some lines of business the credit risk is much lower than in others. Bankers and lumber dealers will be a comparatively good risk, while a cosmopolitan trade like that of the large retail store, will make the risk much greater. In any case the salesman must have a knowledge of the fundamentals of credit, and cooperate with the credit department to see that the company is protected. This requires thought, tact, good judgment, care and resourcefulness.

Let us see how the credit man opens an account. First he is very careful to get the correct name and address. There are so many people with approximately the same name that it is an easy matter to investigate the wrong person. The credit man regards as very important the personal interview in which in his subtle yet apparently innocent manner he obtains from the applicant such information as references, the name of the employer, if married,—the full name of the husband or wife, whether or not he boards or keeps house, the names of the companies with whom he carries fire or life insurance, the name of the savings or checking bank account and at least three references. If a salary is small it may be necessary to garnishee it; consequently the place

for doing this must be known. In this connection it must be remembered that the married man can claim certain exemptions in case he is sued for debts. If he has household goods, therefore, the credit man must know how much their value under forced sale exceeds the amount of the exemption allowed. Fire may destroy the goods in which event the policy protecting them would be garnisheed, which makes it important to have a record of the policy and its details. The credit man seems to consider his ability to size up individuals worth much to his success; he lays much stress on honesty and character and habits.

The single man is not regarded as nearly so safe a risk as the married who has more at stake, and is more stable and responsible. Some credit men, strange to say, regard many salesmen as poor risks; with the life insurance solicitor for example they include barbers, waiters, bar-tenders, Greeks, theatrical performers, book salesmen and any commission canvassers. We have always been ready to defend the credit of the high-grade salesman. The man who is sued often or who is looked upon as being reckless or extravagant in habits, who buys furniture and other articles on contract, or who has a judgment or chattel

mortgage against him is refused almost peremptorily by the credit man. If further investigation is desired credit reporting bureaus can generally give good information over the telephone. Then in addition to this the credit man often wants his own investigation. He follows up the references given, obtains the limit of credit given by other concerns and their estimate of the applicant's honesty and character; learns if the applicant owes them anything and how he pays; how long they have known him and dealt with him. He calls the employer and determines his salary and how long he has been employed and what he thinks of him. Then the credit man sends the investigator to the neighborhood, looks over his household goods to place a value on them, learns how long he has lived at the present place. He calls on the neighborhood stores and others who may appropriately throw light on his character and worth. In fact the honesty of the applicant is tested by investigating every claim that he has made in the effort to obtain credit. If everything looks favorable credit is extended.

The applicant for credit may be the dealer instead of the individual. The retail salesman is protected by the credit department. The salesman in the field has much more responsi-

bility since he is often called upon to open new accounts. What shall we learn about the dealer before agreeing to ship him an important consignment? We must have his history; his age, how long he has been in business, the character of his store or plant and its location. We must know about his stock, the quantity and character of it, and whether or not it is insured. We must know whether or not he is a good business man,—a good manager, good buyer, with good temperate habits, with no financial troubles that are serious, well thought of and recommended in the community, especially by other business men. Then we must know whether his business is progressing or standing still; whether or not he is methodical, keeping his books well, looking carefully after costs and expenses as well as profits. His pay-roll, rents, and other costs bear on this. Then it is important to know that he carries liability insurance if necessary because a judgment might put him into bankruptcy. If he has other interests or other property besides his business this helps his standing for credit. These are hints which may be of value to the salesman in determining the standing of an applicant. It is important to keep in mind the importance of cooperating with and receiving cooperation

from the credit department for the constant protection of the company.

WATCHING THE CREDITS

Credit risks which at first are very favorable may later become dangerous. If the salesman finds evidence of neglect in management, stocks are deteriorating, accounts are running heavy, the dealer is living extravagantly, drinking, having trouble with his family and trade, or if he is apparently getting ready to sell or leave, this should be conveyed immediately to the credit department. If he has been sued, or has given a mortgage on his property or done anything that might weaken his credit, this also is important information that should be given the office immediately. Attention to this matter of credit will bring out the best, most methodical ways of investigating each case. It is too important not to have careful study and alertness on the part of the salesman.

THE SALES CONVENTION

We can not make a vaudeville show of a convention, yet one of the first thoughts should be to make it interesting and full of action. Min-

gling with the serious must be something to relieve the monotony and tensity. Appropriate decoration, plenty of appropriate cards and illustrations, equipment that will serve for demonstrating, the moving-picture machine, music if possible, and the burlesque demonstration are features which are used to advantage. Sketches or playlets carrying out important ideas are effective. The burial of Alibi Ike by the Todd Protectograph organization and similar features by other concerns are never forgotten by those in attendance. Action is the secret, continued and varied, one feature after another. This means that the length of speeches must be limited, stopped with the gong if necessary. The leader must be carefully chosen. His personality may veil the whole affair with saffron if he can not enter into the spirit of the meeting in proper manner. Active participation in the program makes it more interesting. Having the salesmen themselves prepared and putting them into action is effective. But they must be prepared and limited in time or the work will be unsatisfactory. No convention is completely arranged unless provision is made for obtaining stenographic notes of proceedings and discussions and furnishing them to those in attendance.

SELLING BY TELEPHONE OR TELEGRAM

Some time ago I took charge of an organization that was new in certain western territory. Competition was keen and plentiful. Dealers in that particular line of business preferred to continue doing business with the one company, only, with which they had been dealing perhaps for years. To break into a field so firmly fixed in its methods of purchasing required most intensive work. The salesmen were doing their part, yet the unusual was necessary. Every day as the salesmen's reports were received they were carefully scrutinized and classified, and filed for following up. The result was that daily we were telephoning and sending night letters to certain dealers with some message based on the suggestion of the man in the field, or on the judgment of those in the office. The results were most satisfactory. I remember one sale of fifteen thousand dollars' worth of material that resulted from a telephone call, and a night letter that brought six carloads of business.

With the cooperation of the salespeople in the retail store a surprising amount of business can be developed by telephone if the matter is handled properly. Every salesman can have

his group of friends who will be glad to be called during quiet hours to be informed of a sale, or of the arrival of some new line of hats, dresses or other articles just received. The woman who likes to do the original in entertaining will be pleased to know that the first strawberries of the season are in. Instructions in the proper methods of handling the telephoning will be necessary and in most cases an understanding with the customer. It has its difficulties and yet can be developed into a very profitable feature of the sales work. The person at the receiver has much to do with the success of the plan. In many cases the sales manager himself will be able to obtain remarkable results when others would make no headway; in this respect, much like the power of a letter or suggestion, the effect depending on the weight behind the telephone.

THE SALES LETTER

The sales letter has come to stay as a fixture of the sales department. It is as necessary a part of the organization as the salesmen themselves. It has its place which can not otherwise be filled. Before the salesmen go into the field for a new company, the letter in series takes

its important place with the advertising, in doing the preliminary work. The salesman is relieved of all the work that can be done satisfactorily by the latter. Many companies depend entirely on letter-heads, and will not permit their salesmen to call on any one who has not been interested enough to respond. The letter and accompanying advertising in the trade papers obtain the attention and interest, and possibly desire. For many companies it even obtains the orders.

After business is established the letter takes its place on the program of cooperative work, intensifying the work of the salesman wherever possible. Regardless of how much argument the salesman may present and how forcefully, along comes the letter and folder perhaps with its stress on some important article which the salesman may have overlooked, making the appeal in another way, and from another angle, and gets the business. The letter helps to strengthen impressions that have been made, suggests things that the salesman has forgotten, refreshes the memory of what the salesman has said, and does it in a quiet, pleasing and forceful way. Many a letter can be sent by the sales manager himself to certain dealers or customers made as direct and personal as possi-

ble, which will have weight enough in many cases to obtain business that has not been otherwise obtainable. Whom to write, what to write and when, can be planned with the cooperation of the salesmen. Their reports will give special information possibly of a personal character and at least of special interest which can be taken advantage of in framing the letter. Possibly these letters can be prepared in groups for the many dealers who are reported in the same manner. Certain form letters made of selected and well prepared form paragraphs sent out with the sales manager's signature are frequently used. The purpose of the work must be known to the salesman who with proper instruction and understanding of the situation can give reports which will enable the framing of strong and pulling letters. We will say more about the sales letter in another chapter.

TIT BITS

For Thinking Salesmen

Mr. A. W. Ambrook,
Concordia, Kansas.

My dear Mr. Ambrook:-

Just a word this time about the dealer in the small town. If you have ever been in the

great redwood forests of California you have wondered where is concentrated the great strength that keeps these trees standing against the storms of time. Examine the roots, however, and you will find them of every size, large, small, long and short, interlaced and extending in every direction through the ground. One little root does not mean much. Taken together they keep these trees as firm as the hills that surround them.

One little lumber dealer in a small Kansas town may not mean life or death to his company. Let us have thousands of them, however, and a constant and dependable stream of orders will make the company as firm as the great redwood tree. Our experience with many other plants has convinced us of the importance of getting the little dealer into our great family. He has his place with us.

I know that you see the point, Mr. Ambrook.

.....

LJH. ECD Sales Manager.

Postcript: Can I be of any assistance to you?

TIT BITS

For Thinking Salesmen

Mr. Neal Burgess,
Hastings, Nebraska.

My dear Burgess:-

Have you a well planned way of keeping your sales talks vigorous and interesting? The

lumber dealer comes into contact with many different salesmen. Some of these are able to get business and others are not. Why, Burgess? Because some of these men stand out more prominently in the dealer's mind than others. Some have called on him time after time and made no impression; he does not remember them or whom they represent; is not interested.

If you can find a way to make your salesmanship stand out, separate and apart from the work of other salesmen; put your personality more prominently in the mind of the dealer than are the personalities of the other salesmen, you increase your chances of getting business. Enthusiasm may be dampened by monotony which creeps into the salesman's work if he does not study the means of keeping his talks vigorous and interesting. A weak battery won't start a car, or keep it going.

Your experience in the field and your thought on the subject will reveal to you things you might do or say that will make each visit a lasting impression on the minds of your dealers. The resulting interest will add impetus to your work and keep your enthusiasm at proper pitch.

Burgess, later you are going to say that this was a good suggestion.

.....

LJH. ECD Sales Manager.

TIT BITS

For Thinking Salesmen

Subject: *Making the Most of Our Limited Time with the Dealer.*

Dear Westergaard:-

If your spare time ever becomes a demoralizing drag on you something is wrong. Our records show that certain of our salesmen spend only a few hours of the twenty-four in actual contact with the dealers. The rest is spent in traveling, sleeping, eating and other ways. These striking figures are taken from the route sheets of the last year and are fairly accurate.

How important it is then to spend one's available hours in developing salesmanship to the greatest intensity, getting every possible benefit out of the limited time that one has with the dealer. There must be good head work; constant thinking of the next best thing to do; constant activity in the right direction. Perhaps by writing a few good letters to some of your customers or prospects you might get some surprising results. There is a way to reach every dealer and we must find it.

Keep your personality radiating. Watch your appearance, your language, your manner. Keep up your courage and never let your persistence wane. Your resourcefulness will find the way.

I surely am pleased with the way your work is improving.

Write me a good personal letter telling me all about your work and how you like it.

.....

LJH. ECD Sales Manager.

Note—Letter sent especially to new salesmen.

THE HOUSE ORGAN

Many of our large selling organizations have developed the house organ into an indispensable publication. Something in the form of a booklet ranging in size from the single page to a good-sized magazine is sent out periodically. The size of the corporation publishing the organ and the extent of its business, will determine largely the size and circulation of the publication. Some manufacturers send the house organ to the dealers and jobbers with whom they do business or would like to. Others use it largely for stimulating good feeling and interest among employees, and for information of stockholders. One large western oil refining company which controls the fields of Wyoming, publishes a house organ of this kind monthly. It is filled with interesting articles and information relating to company matters, matters

of personal interest to the employees, bits of good advice, articles by officials regarding operation and conditions, all augmented by plenty of good illustrations. Still another type of house organ is that used by large retail establishments for a store paper or magazine, which serves the purpose of promoting loyalty and interest among employees as well as greater efficiency.

The house organ offers great possibilities for the sales department that wishes to emphasize the work of its salesmen; whether it be by furnishing corroborative suggestions regarding such things as selling in different seasons, displaying the manufacturer's goods to best advantage in the display window, on the shelf or counter, or in the show-case; furnishing information regarding the handling and care of stock; the proper methods of storing such articles as cement, plaster and other materials; the best methods of advertising locally in the newspapers, etc., of selling most efficiently in the store; of preventing complaints or taking care of them when they arise; of educating to uses or adaptability; or possibly of furnishing general information that may be of interest to the trade. It gives an opportunity to discuss business in general, government statistics of

interest, what others in business are doing, everything that might seem to be appropriate for the particular publication.

Dealers in cement like to know something about the mill that makes their product. The process of manufacture is interesting. Descriptions, well illustrated, of different parts of the process make good material for the house organ and give the dealer what he should have if he is to sell the product intelligently. The building news, the plans of the State and National Highway Departments, the money situation, the future of prices,—all articles of this nature are read with interest by the lumber dealer who buys cement and plaster. In fact there is a field for drawing information that is almost illimitable for any type of house organ.

The house organ is one other means of co-operating with the salesman in developing and holding business. It supports him in his work, reinforces his position, corroborates his talks and serves to fix in memory what should be placed and kept there. The salesman will be in position to give valuable suggestions as to the content of the house organ which will help to keep it interesting, up-to-date, and valuable as a selling agency.

COOPERATIVE ADVERTISING

Many organizations find it to their advantage to place most of their advertising under the management of a central bureau or association. Such associations have their headquarters in the largest cities where they may enjoy the advantages of their great purchasing power, and the services of the best artists and advertising experts. Instead of sending out advertising themselves, companies are able to have this sent direct by the association often with the company's name printed thereon. In this way the small as well as the large organizations belonging to the association enjoy the advantages of the great educational and promotion work that is accomplished. These associations extend now to almost every line of business. One of the greatest of them is the Portland Cement Manufacturers' Association with headquarters in Chicago. Branches are located in every section of the United States. Men in charge of these branches devote all of their time to education and promotion. In the general headquarters is a complete research laboratory for the study of problems of a technical nature. Here also may be obtained the cooperation of department heads who are specialists in their

particular line. Brick manufacturers, plaster manufacturers, producers of lumber, fruit growers, all have their associations.

ESTABLISHING CONFIDENCE

Confidence is a necessary element of business. The greatest operations of business depend on credit, and credit rests on confidence. It is confidence that overpowers the instinctive tendency toward cautiousness, the feeling that makes us want to be shown. In every branch of selling we demand proof; the man who writes copy must produce his proof. The salesman in the field and in the store must be ready to give it voluntarily because it is expected without the asking.

Business men sometimes overreach themselves in their first attempts to establish confidence by offering goods on consignment,—too much of a risk. With nothing to lose the dealer takes no active steps to sell. By qualifying the consignment in order to obtain interest and active cooperation much more satisfactory results will follow. Offering to exchange unsold goods that are consigned, for others, instead of permitting return and refund of money is much more satisfactory. Or guaranteeing to take

back goods after a fixed period provided the dealer agrees to do certain advertising and display and to lend the cooperation of his sales force during the period mentioned,—a week for example, has been found a safe practise. It will help to establish confidence if we offer to prove at our own expense what we claim for our goods. Guaranteeing wear for a certain period seems often to have been successful in establishing confidence. Large retail stores will permit the return of goods without question, depending entirely on the honesty of the public. Pianos, victrolas, dictaphones and other instruments are placed at customers' disposal free of charge. Confidence once established makes selling easier and less costly. Dealers who have become satisfied with one product of a company and with its policy will be much more easily influenced to purchase others that the company produces. Confidence has been established in the word of the salesman, and in the letters and advertising of the concern, and consequently in the goods.

CHAPTER V

THE SALES LETTER

The sales letter has grown to be a great force in business, with the character and the life and the force of a living salesman. It does everything in selling but talk and think. Next to the personal presence it is the best substitute yet discovered. Its power is demonstrated in the tremendous amount of this kind of mail that is constantly going from place to place. It can be made to lead the buyer through the different steps of making the sale, often even to the point of getting the order. How very important therefore that this letter be correct in every detail, written on proper stationery, and that it be framed in such a way as to be most forceful, most effective.

LETTERS LIVING PERSONALITIES

We have come out of the rut in writing sales and business letters. The stereotyped forms of the earlier days are going. The formal, dry,

cold and lifeless letters of yesterday are being molded into letters of flesh and blood, seeming to think and talk. as the man who writes them thinks and talks.

THE CONVERSATIONAL TONE

If our letters are to represent the living, thinking, talking person they must act as the living acts. They must properly introduce themselves, sit down and talk face to face to the customer. They must impersonate the salesman himself by using the personal, direct and conversational tone. They must avoid old and stereotyped forms, use good plain English, with no *insts.* or *ultimos,* and without overdoing, they must use the pronoun "I" occasionally. They must have good clear, every-day, conversational English, well selected, well put, and yet preserving the required dignity.

Gardner in *Effective Business Letters* has a list of stock phrases well worth studying. He mentions the following:

Advise—of legal origin and overworked. Confine as much as possible to the giving of advice. Use "inform us" or "tell us."

As per—of legal origin. Say "according to."

At hand, or *has come to hand*—obsolete phrases. Say, "We have received."

Beg—as in "beg to state," or "beg to advise"—relics of formal courtesy, sounding unpleasantly servile to-day.

Contents carefully noted—intended to have a courteous sound. Meaningless and occupies valuable space.

Esteemed—as "your esteemed favor." The word is obsolete in this use.

Favor—wrongly used to mean "letter." A favor is a kindness rendered; a letter may do an act of kindness, but it is not itself a kindness.

Hand you—obsolete. Say "send you."

Herewith—in the phrase, "I enclose herewith." This word when used with reference to letters means, "in this envelope," an idea already contained in the word "enclose."

Inst., ult. and prox.—abbreviations of the Latin words "instant," ultimo," and "proximo," and used in legal documents to mean the present, the last, or the next month. Designate the month by its name.

Kind—often misused, as "your kind favor," "your kind order." Another relic of servile courtesy. A superior might write a kind letter rebuking a thoughtless girl in his office, or thanking an employee for a service, or the like. The word should be reserved for such acts of personal consideration; not used in ordinary letters or orders.

Oblige—"and oblige." This makes a weak ending to a letter.

Our Mr. Jones—an inelegant expression in referring to a salesman or representative,

which is gradually giving place to "Mr. Jones, our representative," or merely, "Mr. Jones."

Proposition—a word that has become business slang, and is used to mean almost anything. It really means a proposal or undertaking.

Pronouns or articles omitted—as in the phrase, "Order received and will forward goods at once," for "Your order has been received. We will forward the goods at once." Omissions of this kind have no other excuse than laziness. They make a bad impression on the reader.

Same—wrong when used as a pronoun, as "We will give your account credit for the same," instead of, "We will give your account credit for *it.*" Same is used in legal documents to give precise reference, but it is antiquated. In business letters it is the most persistent among the condemned stock phrases. It is always easy to avoid by the substitution of "it," "they," or "them."

State—is overworked and formal. *Say* is usually better.

Valued—see *esteemed.*

Writer—wrong when used in the mistaken belief that it is improper to use the first person, as in the sentence, "Your letter has been referred to the writer," instead of "to me." Where there is cause for telling your share in an action, the first person is correct and graceful.

Would say or *wish to say*—as in the letter, "Replying to your letter, would say...." An

antiquated and wordy construction. Give your answer directly.

A letter to the dealer who prefers to buy in small carload lots:

Mr. J. A. Gardner,
Orleans, Nebraska.

My dear Mr. Gardner:-

I can see where you can keep down your investment in cement, make it easier to discount your cement bills, turn over your stock more frequently and keep it fresh and more desirable by buying in small carload lots. If you can not conveniently handle large loads we can ship you 30,000 pounds—80 barrels—and still give you the carload price on account of the low carload minimum effective in this state. In order to do this we will load your order with another going your way and save the use of a car.

During the severe car shortage just passed many cars contained two loads in order to save equipment and at the same time give dealers this unusual service. If you have limited storage room you will want to take advantage of this opportunity. Why not fill out this letter and return it now?

.....

LJH. ECD Sales Manager.

.....Cement Company,
Kansas City, Mo.

Gentlemen:- Ship me a small load of cement

.....

Signed.....

This dealer has been reported as preferring small loads. He also has been impressed with the car shortage. The idea of being able to discount for the small amount appeals to him.

Sales letter soliciting plaster business

Dear Mr. Sheets:-

Do you ever stop to think that a plasterer has a good tiresome job pushing a trowel all day long, reaching in every conceivable direction? And do you not realize that if you can make that plasterer's work lighter by getting the trowel to slide easier, over an easy working plastic coat you will make him a good friend and customer? Now, just one other thing:— If you can say to the farmer or other customer that a plaster will make his wall as hard as a sheet of steel, isn't that good talk? Won't that help to make him buy your plaster? Surely it will.

In making our plaster we use about twenty per cent. of pure gypsum mixed with gypsite, from which dark plaster is usually made. This

process gives the plaster the easy working as well as hardening qualities. We can do this without extra cost because we have both kinds of raw material, a very unusual condition.

If you wish to handle the best that plaster science has developed use ..... Plaster. If you wish to please your plasterer, make his work easier, make him advertise your plaster, use ..... If you wish your new house owner to put his thumbs in the arm-holes of his vest and smilingly show his newly-plastered house, use ..... And as popular as this plaster is we can give you service that is just as good as the plaster. Do you not think you had better wire me now for a load? You are going to need plaster soon.

Yours for a smiling plaster trade,

.....

LJH. ECD Sales Manager.

A letter strong in attention and interest value, bringing out information that is vital to the dealer in cement

Dear Mr. Foster:-

You will see when you read this letter that we could not safely make this offer to many of our friends. This morning we went over the map and selected just twenty-five dealers, including yourself, to whom we could safely say what we promise here.

There is not a dealer in America who has not talked about car shortage, poor service and lost

profits because of his inability to get cement when he wanted it. You have thought about it; talked about it many times, haven't you? Now here is your opportunity. Right down at your good door-step we have opened a new plant, with big capacity, located on five different railroads. If there was ever an opportunity to get cars, here it is. If there was ever an opportunity to save cars, here it is again, taking only fifty miles of railroading to serve you while heretofore it took five hundred.

Tell me that you will take advantage of this unusual offer if we will guarantee to give you service when you want it, and all the cooperation that this large organization can give. That sounds good enough to you, doesn't it? Just reverse a telephone call to me now and let me tell you more about this. I am holding the copy of this letter until I hear from you.

Yours for less worry and bigger profits.

.....

LJH. ECD Sales Manager.

Sales letter dwelling on service and resulting profits

Gentlemen:-

During the last ninety days did you lose twenty, or twenty thousand dollars' worth of lumber business because you did not have cement? Are you going to lose again next season?

A dealer from the southern part of Nebraska claims to have lost a twenty-five-thousand-dollar order because he could not get a car of cement. It is going to be worth a good deal to you to have cement this season when you need it, and we can see that you have it. Our new kiln will produce another thousand barrels a day. If you want a part of this thousand, please return this letter to us immediately and we will place you on our list of regular customers.

By the way, gentlemen, the car of cement which sold the twenty-five-thousand-dollar order was a car of .....

Yours for another big year.

.....

LJH. ECD Sales Manager.

..... Cement Company,
Omaha, Nebraska.

Gentlemen:- Please let us have a part of that extra thousand. We use about..... carloads a year.

Signed .....

By .....

Dear Mr. Erickson:-

I believe we can relieve you of some of that worry which you are having in connection with your cement business. I can hear you saying that it is a durned hard job to know just

what to do in times like these. The good company with which you have been doing business has treated you right, you say, and why should you go back on them?

Now, Mr. Erickson, we have been in this same boat ourselves. Some of our good friends are selling customers that we had in the early days and we are glad of it. They deserve this business because they are on the ground. The increase in population has made the location of new plants necessary in that territory. Maybe a number of years ago the dealer in the next town sold lumber where you are now doing business, but conditions have changed and surely you are right in believing that you are entitled to that business to-day.

In these times when service is so important to you and short hauling so vital to the car situation, I am sure that you will see the wisdom of buying from the nearest plant. I am really hoping that this letter will come back with an order. We must have you in our great family.

.....

LJB. ECD Sales Manager.

Dear Brown:- You are right. I am going to buy my cement close to home and help save cars. Enter my order for ..... carloads for shipment within.....days.

Signed .....

Note: The salesman's report of this dealer states that his service is not so satisfactory as it might be; the car situation is affecting him in different ways. The letter is framed on the strength of the salesman's report.

THE APPEARANCE OF THE LETTER

To some extent we can tell the character of a man by his home and the way it is kept, his business and the way it is run, his associations. You probably have received correspondence written on cheap ruled paper. How did it impress you? You have received correspondence also on good, sensible, neat and appropriate stationery; well written, with a ring and tone that made you feel that the one who had sent it had brains, and character, and personality.

The appearance and contents of the letter, which is expected to take the place of the salesman, or to cooperate with him, must surely be looked after carefully. The size of the stationery, the printed or engraved parts such as the letter-head and date line should be in their proper places. All other details such as the location of the salutation, the width of the margin, the indentation of paragraphs, and the general balance of the letter should be looked after. And in this day of doing things in the modern way the letter must, by all means, be typewritten or printed. All of these details tend to give what we find necessary in every branch of selling,—good feeling-tone.

MAKING THE SALE BY LETTER

We now have the letter in a good suit of clothes. The size is standard. The location and appearance of the printed or engraved matter is proper. It is ready to talk business. In the chapter on making the sale the claim is made that this process is fundamentally the same no matter by what means we attempt to sell. Let us see whether or not this applies to the letter. Experience has proved that a large percentage of the letters never obtain more than momentary attention. After being glanced at they pass into the basket. Therefore the first important responsibility that rests on the letter is to obtain and hold attention. As we have seen, volition itself depends on this. In order to obtain attention we are brought again to the laws that govern it which we may summarize as follows. Momentary attention can be obtained by suggestion or description or other vivid reference to size, or motion, or contrast, or isolation, or position. Unless the letter happens to be illustrated, which is not often the case, these incentives must be brought out in the wording. To bring out size, for example, we might start the letter something like this: "Twenty plants with thirty thousand high-

grade, well-paid men and women are constantly serving our customers." "Now that the new year is upon us, and the political unrest of the last year is over, the wheels of industry are turning in earnest to supply the great demand that is expected soon,"—motion or action is suggested here. These will gain attention, but it may be no more than momentary unless they are supported by something intrinsically interesting. Novelty is better if it is not overdone. It must not carry the impression of being forced for the purpose of gaining attention. "Dear Mr. Brown: I have just painted my whole store inside and out in blue. My delivery trucks, advertising, correspondence, everything that I use in my business is going to be blue; blue will be found everywhere. But it is going to be a good blue and mean a great deal to you." Here is a letter winning attention by a description of the unusual, the novel.

If we would obtain and hold attention in the letter we must first look to feeling-tone as we have already shown. Then we must direct the appeal to one or more of the fundamental instincts; to the great group of human interests, the many forms of human desire, the kinds of human emotion, to the many established habits. "Is your daughter looking for a good

position?" "You are not satisfied with your job, are you?" "How much interested are you in that boy of yours in college?" "Do not be ashamed of your home. Build it over for little money." "Is that baby getting the healthiest of food?" "Do not let the kitchen be a place of drudgery." "Stand by your son in trouble." "'Bully! Bully! That is a good smoke.' That's what your uncle Henry says every time he lights a ..... in our store." These are introductory expressions which appeal to interest, desires, emotions and habits. They ought to obtain attention.

HOW OBTAIN INTEREST

The inventor or the manufacturer has had some human interest uppermost in his mind. Here is something that will fill a certain need; meet a certain demand. It links itself well with the interests of the individual, helps him to save, make more money, do better work, secure an education, give the pleasure that he seeks, improves his home, benefits the son or daughter, lessens the labors of the mother. Obtaining interest is, therefore, a matter of bringing vividly before the individual the adaptability of the article to his needs or demands. The in-

dividual does not always realize what are his needs. The letter educates him to this, creates desires and demands, and then proves adaptability. This may be done often in the single letter and again it may require a series. Exposition, description, narration and persuasion will be used to convince, accompanied in many cases by the offer of such proof as actual demonstration.

We obtain interest also by appeal to such emotions as joy, surprise, reverence, hope, gratitude, and such emotional feelings as pride, love, faith, etc. The desires such as the desire for food, drink, sleep, sex, movement, living, pleasure, property, power and knowledge all have great interest value. The habits like smoking, chewing, knitting, hunting, sewing, reading, the social habits, all make us read when they are presented properly in the letter. Here is what the man who sells glassware writes in order to obtain interest and possibly desire: "Your friends will love the lure of gleaming glassware. Like fairy etchings of frost on a window, like lacy network of summer leaves is the tracery on sparkling ..... glassware. It lends an extra lure to the charms of a dainty table."

"Delicate as our patterns are their use is a

pleasure you may enjoy daily, as they can always be quickly replaced and so inexpensively! You need not grieve for 'broken sets' or too costly completing, with ..... lovely pieces."

The dealer who sells washing machines writes to the housewife in this way: "Happy sunny windows with crisp, frilly curtains—what a snug, cozy appearance they give as they are backed by gay cretonnes of smiling colors, or guarded by silent hangings of rich rose or blue! What a joy to see them always fresh and white. And how simple a matter with one of our new electric washers. Down come the mussed, soiled curtains, into the washer they go, and swiftly, thoroughly, the soapy, cleansing water swirls back and forth through them. In eight or ten minutes the curtains come out, all the original freshness and whiteness restored."

CREATING DESIRE

Desire is a consciousness of want together with the impulse to get what is wanted. This impulse of desire is what leads to effort and action. Some desires come only as a result of thought and deliberation and others are unintelligent and instinctive. Life itself depends on food, drink and sleep. There is always the

desire for these unless these desires have been satisfied. We desire movement; we long to live; we love pleasure; we strive to own property; we spend large sums of money and years of time and effort to acquire knowledge and power. Our desires are associated also with our kindred, friends, mankind in general, and finally with our God. The thing that we are selling will make its appeal to one of these if the letter is worded with this in mind. A large correspondence school writes to appeal to the desire for education like this:

"Accountants of every class are needed at once to accept responsible positions paying from eighteen hundred to five thousand dollars a year and up.

"You could secure such a position at once—if you could qualify. There are plenty of them open. The difficulty lies in finding the men—those who have had the necessary accountancy training to handle the work. They are snapped up at high salaries just as rapidly as they can be found..... Read the 'Accountants Wanted' advertisements that were clipped from one edition of a city newspaper and reflect on the shortage of accountants in one city alone. —— has helped himself to secure salary increases equal to six times what he was earning two years ago. When you have completed the course you will be able to call yourself an expert accountant."

MAKING THE LETTER GET ACTION

To get action we must have the resolve or consent to do what the letter suggests. During the period of indecision and unrest, one motive is struggling with another, some inviting and others blocking the sale. The possible pleasure or pain that may result will add impulse; whatever appeals to interest, emotions, desires or habits. Attention must be held constantly. If we can succeed in keeping attention firmly fixed to the exclusion of all other ideas to the contrary the battle of decision is more than half won. The imagination is largely instrumental in volition and must be freely appealed to. We must not overlook the importance of proof; convincing that our statements are true. Finally we will see that an inducement is offered for ordering or buying to-day—*now*. We will give the letter a climax; try through what we have learned to be ideomotor action, to get results by suggestion. "Just call 864 now and ask us to send over a dictaphone for trial," is an appeal to this form of action. Because people do not care to write or to be inconvenienced in ordering, securing possession will be made as easy as possible with such suggestions as "Pin a dollar to this letter and return it at my risk."

FOLLOWING UP WITH THE LETTER

In most lines of business we do not expect to sell on the first call, except to regular customers. The salesman calls time after time, in some lines for years, and then does not obtain the business. If it takes years for the salesman surely we can not expect too much of the first sales letter. We must send out the second one, and the third, and the seventh and the eighth, and then later we must send out more. Each of these letters has its definite work to do. Just as the sales manager lays out the detail to go into each paragraph, so he plans the work for each letter, the series just as logically arranged as the paragraphs of each letter. Perhaps we have an interesting little story to present. If it is interesting and well told it will make good material. It should not be made too long. The nature of the proposition will have much to do with this, but reasonable brevity must be regarded as a virtue in writing sales letters. Not more than a page is preferable.

The first of the series will be introductory, presenting the offer in a general way and making an effort to close the sale. The point of contact or center of interest or strongest features on which to focus, will be brought out in

this introductory letter. Each one to follow will be a reinforcement of the first, bringing out a point regarding the article, which proved, adds a certain amount of impulse. Point by point, probably not more than one to each letter, is proved by the series until volition results, the attempt being made in each letter to get final action through the coupon and other methods generally used for this purpose.

THE SALES LETTER AND THE SALESMAN

The salesman will do well to develop the ability to write a good sales letter. Whatever the salesman does in this respect will serve to reinforce the work of the sales manager and intensify that of the salesman himself. The period of actual contact with the buyer is limited to a small fraction of the twenty-four hours. There are times when the buyer is away and can not be seen until the next trip. There are extreme cases when he can not interview a salesman possibly for days and the salesman must leave. In many lines the period between calls is measured in months. No one can grasp a dealer's situation so well as the man who talks with him, the salesman. Many details of the interview can not be reported, yet they make their impression on the salesman and he

remembers them. Promises are given the salesman, sometimes with the idea that they will be forgotten. Situations are presenting themselves of which he may take advantage. With the aid of a good memorandum book the salesman collects this data and enters it in his diary for future reference. Two weeks after, or three, he finds that a dealer is due to send in an order, or that some important work is to come up for which there is a possibility of getting the contract. Out goes the letter from the salesman following up the matter and he gets results.

My first experience in the advantages of the letter from the salesman came when I wrote as strong a letter as possible to a buyer for a number of lumber yards in South Dakota, one of which was in the territory I traveled. A special trip would have required really too much time and expense for the business that might result, so the letter was used. It got the business. After that I carried my folding machine and wrote several letters daily to dealers who seemed to offer any encouragement. Many of these accounts eventually came to my company, and I attribute the success in a reasonable way to this program of continually writing letters in connection with my personal work.

CHAPTER VI

SELLING AT RETAIL

In the great system of industry and commerce called economic production, retail selling has a very important place. It is the last operation in the system of getting goods from the raw state, into the hands of the consumer in the finished state. In retail selling, the merchant takes over the responsibility of the seller in his relations with the public.

The first great difference that presents itself as existing between selling at retail and at wholesale is that the one selling at wholesale must reach out through his salesmen and advertising into a much larger territory than the retailer. The seller at wholesale may operate over an entire country or even into foreign countries. The retailer operates within a limited field measured generally by the circulation of his local advertising mediums. The second great difference is the fact that the wholesale dealer is not to the same degree in constant and personal contact with his trade as is the re-

tailer. The retailer is continually receiving a line of spectators and customers at or in his store. His business becomes a fixture in the locality. The public learns to know the store, its policy, the quality of its goods, its prices as compared with others. This close contact between the store and its trade makes it the more necessary that the store, its management, its salespeople and its policy be in harmony with the tastes of the trade.

Like every other great movement that occasionally spreads over a country, that of building up and operating the retail stores on an efficient and scientific basis has taken hold of the business world. The policy toward the public has been revolutionized, letting the customer become almost the infallible boss. Whatever the customer does now, right or wrong, is right. He is no more troubled with the rule of *caveat emptor,* which always left him on the defensive in buying, making him cautious, and suspicious and slow to purchase. To-day he takes no chances. We are making his buying a pleasure, giving him goods on approval, guaranteeing the quality in writing, letting him have plenty of credit, calling his attention to special sales by special letters, doing everything to please.

INVESTIGATING BEFORE LOCATING

The wise merchant looks into the number of industries, their character, the number of employees, the wages paid, the regularity of operation, housing conditions, working environment, permanency of population, social conditions, financial condition of the industries themselves, rents, nationalities, bank deposits and similar details. He looks into the surrounding country, the farming community and its relation to the city, the convenience of marketing, the families of these farmers, how large these families are, the incomes, their success, the production history, soil and climatic conditions. Satisfied with these he also looks into the local competition, the character of the other retail stores, how much cooperation he can expect from them. He will get the number of doctors, lawyers, and other professional men, real estate agents, insurance agents, men and women of other employment and their probable buying power.

LOCATING THE STORE ITSELF

Having made a careful investigation the merchant has come to the point of locating. He

then selects the site with the same amount of foresight and care that he selects the city. He has a careful check on the density of traffic; the kind and character and frequency. He knows the number of vehicles and whether they are automobiles, or carriages, and the number of pedestrians, men, women or children, and he knows the hours when they pass. He then looks into the rent, insurance, and tax factors, advertising rates, the local practises of his competitors, the opportunity for obtaining help, wages, amount of delivering to be done, whether the business is cash or credit, whether prices are maintained by competition, the amount of business that might be drawn from other stores, how much would be created, the facilities for keeping a small stock—all existing present and prospective conditions, including the prospect of the growth of the city.

The local competition will be analyzed. Are the competitors old or young, well-established or new, efficient and up-to-date or backward, popular or unpopular, influential over a regular following on account of religion, club or lodge connections, rated well for credit, treating their customers well.

SALES AND PROFITS

To get a reasonable profit from the greatest possible number of sales requires management. It requires a microscopic examination of every department. The seller, including the salesman, the goods to be sold, the customer or buyer, and the manner of making the sale are factors which must be thoroughly analyzed and improved wherever possible. The spirit of the efficiency engineer has reached the field of the retailer. The age of efficiency, of intensification, of new theories and new practises is upon us.

Let us say to the man or woman behind the counter that the details of personality already enumerated in this book, apply to the retail salesman just as much as they do to the wholesale or traveling man. We can not overlook the personal appearance; we can not overlook the manner; we surely can not overlook the language and expression; we can not overlook the importance of knowing much about what we have to sell. The man or woman of ordinary refinement likes to do his buying from the salesperson who dresses modestly, neatly and becomingly; who has a good cordial bow for a friend or customer or visitor; who is patient,

interested in the person's wants, and who can, after every effort has been made to make a sale, very graciously suffer the loss of it. Treatment of this kind brings customers back again.

SELLING EFFICIENCY

There are little details of efficiency which if practised by the salesperson will bring the selling ability to a much higher standard. We must be regularly at work and on time, have a fundamental knowledge of the principles of selling, know the goods, use tact, use good English, remember the name, be original. We must know the store and the location of things, be methodical, honest. We must know something about the work of our superiors, in order to give us breadth and understanding.

By being regularly at work and on time the salesperson increases sales. If every salesperson were to come to the store only when it was convenient, the morale of the entire organization would be affected. The management could never depend on the employees. For the good of the store it is most essential that we get to work every day. It is just as important that we get to work on time and leave on time. In the opening and closing minutes of each day

many an opportunity will present itself to make sales. The buyer has a reason for coming early or late and must purchase at that time. Not being able to obtain service on account of the absence of one or more of the salespersons, the buyer has disappointedly gone to a competitor and a sale is lost. The person who is constantly irregular and late in attendance lacks interest in the work and is not paving the way for advancement.

Dress and manner must be carefully attended to by the salesperson. Too much paint and powder, extremes of design, immodesty of dress, loudness of dress or manner are offensive to many people. Constant gum chewing will drive away people of certain temperaments. Chewing tobacco is inexcusable in any place of business where men and women do their trading. Bad breath keeps customers at a distance. Occasionally we detect offensive odors due to lack of attention to the hair and body cavities. The more powder and paint we notice the more repulsive and unpardonable becomes this condition. In retailing, which necessitates being indoors constantly, personal odors are all the more striking. Cleanliness, sweetness, wholesomeness are wonderfully attractive. There is no greater injustice that we salespeople can do

ourselves than that of failing to keep clean, failing to use soap and water freely, failing to dress in clean, well-kept clothes. No less important is the matter of carrying ourselves well, walking briskly and standing erect. We must not overlook the attraction of a pleasant smile. We must express our interest in the customer with our eyes, face and actions. We must leave the slang at home. We must be a lady or gentleman in the real sense of these words.

DISCIPLINE

To obey the code of rules or methods of practise in force in the retail store is as important as it is in the army. We can not get far in the army without discipline. Things must be done in a certain way, and that certain way must be followed by all. The certain way of running the retail store has been decided on by the management after most careful study and experience. Each salesperson has certain things to do and certain ways of doing them. We must have rules to run any organization and these rules must be obeyed. Let us learn the rules of our store and obey them.

Any salesman is a better one for having interested himself in obtaining knowledge of the

business beyond his immediate work; for having learned the reasons for construction and arranging and managing the store as it is done. The cooperation of the salesman is worth much to the management. It is worth much more with this knowledge of the point of view of the management, because having this point of view the salesman cooperates with greater sympathy.

By having a thorough knowledge of the goods the retail selling is made more efficient. In retail selling we must know our stock, what it is and where to find it. We must know the good seller and the poor seller. We must know the quantity on hand, the ordinary demand, and see that the stock is replenished as required. We must know prices and quality. By knowing price and quality, we can assist in making selections that are suited to the taste and pocketbook of the purchaser. Our knowledge of goods must include the knowledge of their uses. If we are selling hardware and can not tell the uses of a certain wrench, we are worthless. That wrench has some very attractive talking points which we ought to know, and which would help us to sell it. Our knowledge of goods should include the knowledge of quality also. If knowing the quality necessitates learning how the goods are made let us learn this.

If we know that a certain automobile tire is made of four or five plies of good fabric, instead of three, we have a valuable selling point which will help to make a sale. Knowing the goods means knowing the condition of the goods. If some of them are not in salable condition it is important to make this known. A thorough knowledge of the goods enables one to talk over such selling points as style, durability, the purpose for which the article is best suited, its convenience to the customer, the comfort which it gives, its purity, safety, beauty, construction, the cost to produce it, how it compares with similar articles made by competitors, who are the makers, whether or not it is guaranteed, who are using it and how they are satisfied. One writer says: "Half the secret in attracting and holding customers often simply amounts to knowing a bit more about the goods than the other fellow and taking the pains to explain it to customers. The dealer who does is usually a lap or two ahead when it comes to interesting customers."

Our explanations must not be over the head of the buyer. Technical matters should be brought out in a simple and interesting way or they will not be understood. Talking about the details on an engine or automobile might do

very well for some buyers, yet would be most monotonous and hazy to others.

Concentrate on your customer, see that there is nothing to distract, like noises, smells, smoke or dust. Make the customer comfortable, taking him or her from the gaze of the public if this is advisable. Never let over-anxiety bring into the situation more than one salesman at a time. Aim to please rather than to sell. By aiming to please the selling will take care of itself. Be thorough, patient, interesting in your descriptions. Keep your mind on your work. Appeal from every angle, politely, graciously and sincerely, by means of suggestion, by exercising the buyer's imagination, by appealing to the instincts, emotions, desires, interests and habits. Appeal to the parent for the child, to the husband for the wife, to the lover of music and tone with the piano, to the love for clothing with style, to imitation by telling of others who have bought, to individuality by showing distinctiveness and uncommonness. Humor the selfish; make it easy for the lazy; let the customer sell himself if possible; cater to his vanity; make him like you and your store. Help the undecided by suggesting; inspire confidence by giving undisputed proof to the suspicious; agree with and flatter the one who

knows as much about the goods as you do; let the talking one talk but not drift too far from the matter of a sale. Find the vital point of attack in the indifferent and reticent, possibly by a question; show the advantages of immediate buying to the one who would wait; be active and in harmony with the one who is nervous and must have things done quickly, and be slow and deliberate with those who would take their time. Comfort the tired; preserve your dignity for the dignified. Anticipate the buyer's objections by answering them before they are asked. Tell the truth always. Say and do the right thing at the right time.

A certain dry goods merchant examining into his business came to the following conclusions: First, that a desire to sell can be so strong as to defeat its own purpose. The desire being selfish, may lead us to forget the point of view of the customer. Second, that any business depends on the good will and confidence of its customers. Third, that if the desire to please and serve the public is kept uppermost in our minds we will develop a much greater volume of trade than if we merely try to sell. By pleasing the public with our goods and service our selling takes care of itself.

Remembering the name is one of the most

appealing faculties that the salesperson can have. The opportunity of learning the name of a customer is not always favorable. When the introduction takes place we do not hear it or understand it. There is a way to get the name and to remember it, and it is well worth cultivating. First get the name firmly fixed in the mind, clearly imprinted there. Get it correctly spelled and pronounced. Repeat it to yourself as often as possible while you are talking to the person, associating the name with the person and especially with the face. Continue to do this after the person has left. This continued repetition and association will make remembering much easier.

Still other important details to be attended to in our selling are the use of tact, good judgment, keeping the character above reproach, letting the imagination play its part freely, taking advantage of the power of suggestion, thinking, thinking, thinking! The customer's tendencies, his actions while buying, the things that he examines, the comments that he makes, —all these tend to assist in determining what will appeal to him. It is a matter of common knowledge that the woman is much more particular and careful in her buying than the man. Another detail worth remembering is that those

who are most difficult to please, once pleased, make the most loyal customers. They know that they are difficult to please and they give credit to the salesperson who can do it. Nor should we forget that selling properly means pleasing, and that the person who buys hastily may be dissatisfied and will return the goods, an uneconomical practise reflecting on the salesperson if it happens frequently. We must learn to know people; be able to judge them to some extent by their appearance, manner and actions. Much can be learned by studying people with whom we come in contact in our work in the store. We have already made a detailed examination of the buyer in the chapter on that subject.

ORIGINALITY

Remember that the man or woman buyer is calling on salesperson after salesperson, in one store and another, day after day. When, therefore, the same form of address, the same questions, the same expressions are heard time after time in dealing with these employees, a feeling of monotony comes over the buyer, a feeling that these words and expressions are stereotyped and ought to be changed for something new and original. "Something?"—"Do you

wish to be waited on?"—"What's yours?"—"What do you want?"—these are just a few of the common expressions. Let us change them. Let us say something appropriate but different. Each customer may present himself in such a way as to offer an opportunity to do or say something that is out of the ordinary. Take advantage of it.

WE MUST KEEP IN MIND THE FACT THAT IN SELLING WE ARE FUNDAMENTALLY APPEALING TO THE INSTINCTS

Instinct is the natural and inborn inclination and ability to do certain things without being taught, like the inclination of the duckling to go for the water as soon as it leaves the shell. These instincts vary in different persons, yet they can be classified as common to all. Some of us have the instinct for music, some for numbers, some for harmony, others for balance. We all have the instinct for wanting to acquire. From the day we are born we have the hunger instinct. Later we develop the instinct for clothing. Every business man is in business by reason of his instinct for acquiring or collecting. Other instincts which are common to all are curiosity, companionship, imitation, indi-

viduality, the parental instinct and the instincts of sympathy, modesty, travel, fear and anger. Did you ever stop to consider that the man who designs or invents is a student of interests, emotions, desires and habits. Did you ever consider that the man or woman that buys for your department is a student of these same incentives? These men and women buyers know popular needs and demands and must only be convinced of adaptability to fill these needs or supply these demands when they make purchases. Every piece of goods in the retail store makes its appeal, when properly presented, to some fundamental instinct. There is clothing, for example. We must have it. It is one of our strongest interests. In connection with it our feeling of pride, almost emotional in some persons, says we must have style. Acquisitiveness, which springs from the instinct of hoarding or collecting, says we must have a fair price.

A pleasant and courteous environment and a willingness to please give the good feeling-tone which is so much desired in all branches of selling. Although there are many surprises in store for the salesman who attempts to "size up" a person, there is a way to determine by tactfully questioning, by carefully directed conversation, by appearance, action and other evi-

dence just what the person desires or needs and what will meet these desires and supply the needs. The buyer who knows exactly what he wants will require little of the salesman's time and attention. Serving this person will be merely taking an order. Then there is the person who knows just about what he wants. Serving him requires not much more salesmanship. There is another class, however, "just looking," or who have made one purchase and might be interested in another. Getting this individual to purchase requires salesmanship; the same inevitable process of getting attention, interest, desire and volition,—good constructive salesmanship, the kind that lifts the salesman from the level of the common to that of the expert.

YOUR SALARY IS PAID FOR CLOSING SALES

There is no money made in retailing unless goods are actually sold. Selling and getting the money keeps the store and salaries going. We may have a wonderful store, a beautiful line of goods, an excellent display. The place may be filled with people day after day looking at our goods and hearing our appeals, yet if we can not close the sale the store will go into

bankruptcy. We must close and have the customer satisfied. This closing must be done with tact. There can not be the appearance of forcing. The appearance must be that of trying to please. Gentle suggestions here and there, extreme patience in showing every style that might satisfy, as a last resort letting the undecided customer take home the article if there seems to be an opportunity to please, asking at the proper time if the article is to be charged or paid for in cash, requesting the name and address, handing the article to the customer with the attitude that you regard it as sold, asking when the person wants it, or how he wants it sent, or which style he prefers, are only some of the means of closing by suggestion. Think again, and do not leave anything undone that should be done to make the sale in the proper way.

AS A LAST RESORT, INTRODUCE THE CUSTOMER TO SOME ONE HIGHER UP

If the sale is of sufficient importance, and everything possible has been done to please the customer, a very good practise is to introduce the customer to some one higher up in the department. Those in authority may decide on

account of the circumstances that a concession might be offered, or some other consideration given in order to close the sale. If it is then impossible to make the sale, the customer must nevertheless be thanked for his time and requested to come again just as sincerely and courteously as if a sale had been made.

KNOW THE LOCATION OF OTHER DEPARTMENTS IN THE STORE

The higher work of creating business demands that salespersons know the location of other departments than their own. If the customer is buying a coat from one department, something to go with it which may be had in that department or in some other, should be suggested. Possibly it is the boot and shoe department, since it is a stormy morning and the customer seems to need rubbers. If the buyer has purchased a heavy coat he may want also a heavy cap, or a flannel shirt. We should know what is on sale and where the sales are taking place, what is specially advertised. All matters of interest pertaining to the store, and which may be asked about should be known to the salespersons. Every sale, whether it be from one department or another, is important.

All should therefore cooperate to see that the sale is made, even if the manager of the rug department has to take the customer to the shoe department to make it.

BY BEING METHODICAL, TAKING ADVANTAGE OF THE QUICKEST, MOST EFFICIENT WAY OF DOING THINGS THE SALESPERSON ADDS TO HIS ABILITY

There is a long and short way to do things. Let us have the short way; it saves time. Names should be correctly spelled and written. Bundles should be tied in the most efficient way. House numbers and street addresses should be correct; when incorrect they cause much inconvenience, loss of time and disappointment. Change should be made quickly and correctly. If the credit must be looked into have it quickly and properly and diplomatically done in order to save time and ill feeling. See that totals are correct, that orders are properly taken with nothing omitted. Little mistakes and omissions may mean much. A wrong spool of thread may mean that the dressmaker must wait. A wrong number may mean that some one will be without slippers for the opera. An incorrect name may mean another trip to the store by some one who has been patiently waiting for delivery.

Do not hesitate to get the correct spelling of a name, even if you have to have it written out for you. All items of purchase should be fully and clearly written down, sufficiently in detail for proper identification should this become necessary. The number of articles is as important as the description of them. If the salesperson will show the order to the customer for approval of name, correctness of address, number, and of the articles ordered little more time will be required and much trouble will be avoided.

How would you feel were you to get a C. O. D. shipment with the price higher than you agreed to pay? If the price of the C. O. D. is too high the customer will not pay, and if it is too low the company may never be able to collect the difference. Be honest with the customer and prove that you are so by calling attention to errors even if you have to telephone to do it. Do not let customers suspect that their credit is questioned by sending orders C. O. D., which should be sent otherwise, and do not send articles otherwise that should go C. O. D. You may make a present of these articles to the person at the expense of your company. The whole matter resolves itself into one of being careful. BE CAREFUL! We have put it in capitals

because it means so much in any branch of selling.

In retailing the attention is obtained by advertising, window display, store display, and occasionally by some extraordinary means. You know the power of the full-page newspaper advertisement that is so often used by the department store. The newspaper advertisement is as important to the woman buyer as is the sporting page to the baseball fan. You know too the power of a good window display. Men and women and children stop to study the new designs and latest suggestions in millinery, suits, dresses, and toys. Now regarding store display! Where do we buy our chocolates? Do we buy them from the merchant with the dark, dusty, sticky and unsanitary candy counter, or do we step into the store with good appointments, agreeable decorations, plate-glass show cases, and with attractive boxes and containers? This is store display.

The man who writes the advertisements for the store knows that the real selling points of an article of merchandise are the qualities and benefits of that article as they exist in the buyer's mind. In the volume on attracting and holding attention, in Shaw's *Retailing Series* we find this: "The real psychology of adver-

tising is this: A man buys an article for the good he will get out of it, and never for the benefit of the merchant. He buys it because he wants to buy it and not because the merchant wants him to.... Therefore in finding the selling points in his goods the advertiser should consider his goods from the customer's point of view, and present his selling talk in a way that will make the customer really agree with the merchandiser's idea; namely, that the goods are worth having."

In obtaining the attention by advertising and display the customer is visualized, as they say. He is vividly pictured with all of his surroundings. His mode of living, practises in buying, where he lives, how he lives, his occupation, his income, his probable likes and dislikes are pictured. Knowing the uses of one's goods enables one to fit these uses to the condition and circumstances of the buyer. In dealing with the class of buyers who have not been reached by advertising, and display, the salesman gains attention and interest in the same manner. He must do the work in this particular case of the advertiser and window-trimmer or decorator, in addition to doing his usual work in retail selling.

THE BETTER RETAIL SALESMAN SHOULD KNOW SOMETHING OF STORE MANAGEMENT, WINDOW DISPLAY, ADVERTISING AND OTHER INCIDENTALS OF THE RETAIL BUSINESS

Some excellent ideas in retailing, advertising and managing have come from the small-town dealers. Some of our most effective advertisements have come from men formerly salesmen in little towns who made a study of advertising. The salesman of the small towns and of the smaller stores of the large cities, must be more versatile than the specialist salesman of the large city department store. The work of the salesman of the small town is more general, taking in often the matter of advertising, window display, possibly temporary management. This is the salesman of to-day who will be the business man of to-morrow. How much better will his salesmanship be if he knows something about the work higher up in his business. The broader his knowledge of business in general and of things in general, the more effective will be his selling.

THE VALUE OF WINDOW AND STORE DISPLAY

Density of traffic adds value to window display. Window display is very strong adver-

tising because of its realism. In this respect it is next to handling the goods themselves. If there is action in the display it becomes still more real. Crowds stop to watch the young athlete demonstrate the shoulder brace. The display window yields an opportunity to give a perfect object lesson full of life and action, so real that when the athlete straightens his shoulders the spectator straightens his also. We are rarely disappointed in the impression we obtain from the display window. It is a very effective method of letting the goods sell themselves. And no less important is the display within the store. The opportunity is just as great here for keeping goods before the constant stream of traffic and in many cases gaining attention and interest that would otherwise never have been gained.

WINDOW AND STORE DISPLAY

The background must be relevant. It is neither good taste nor good judgment to use a background of a busy mill and its smoky surroundings for a display of perfumery. If our store were in the steel mill district and we had a soap display, the mill and some of its employees cheerfully removing the grease and grit with this soap would be relevant.

Good display is an art. It requires skilful and systematic arrangement. Certain combinations, certain kinds of lines, certain blending of colors have esthetic value; beauty and taste and refinement that make one want to stop and ponder and enjoy. Surely care in arranging the cloth or garments or articles on display, seeing that they are in good condition, and that they are naturally placed are important. A skirt thrown over the shoulder of a form would not be natural. It should be where it belongs. The things displayed should have agreement in their relation, conformity, symmetry and harmony. Any object or picture that is presented to the mind, whether it be in advertising, or in display, must have balance and unity. Everything must be where it belongs, inviting the eye to pass from one object to another, naturally and unconsciously, having nothing to interfere with the impression which is being made on the mind. Then the things displayed should have meaning; express something, some thought or suggestion. A group of figures representing children of different ages, dressed in the latest of the season's apparel is a meaningful suggestion. The bedroom completely equipped, or the dining-room, or kitchen, give a complete suggestion with meaning. There is surely no

meaning to a display of silverware and harness, but to harness and harness polish or grease or other stable accessories there is plenty of meaning. Display with meaning is creative. It associates in the mind the relevant. The purchase or presentation of one thing of this related group has a tendency to suggest others. We place a new bed in a room and immediately notice incompleteness in some respect; not the right kind of rug; pictures inappropriate or something omitted or irregular. Irregular why? Because meaningful display has educated us to this feeling. Go back to the laws of memory and you will find that association is its very basis.

In good display objects must necessarily predominate over setting. If ingenuity in color arrangement predominates to the extent of drawing attention to it rather than to the goods, the display is to this extent a failure. The style must be in keeping with the environment. Location and the character of the traffic must be kept in mind. Idealism, or showing ultra styles—those above the average taste—is regarded as effective. Extreme effects make observers curious to learn if the more conservative styles are not exceptionally good-looking. Bizarre effects, the grotesque, odd and fantas-

tic are being freely made use of if it is possible to do so without detracting from the goods themselves.

THE IMPORTANCE OF LINES AND SURFACES

It is well to remember that there are grace and beauty in waves and curves. The grace of the classic dancer is explained in the waves and curves of her movements and gestures. Lines themselves affect the feeling-tone. We are pleased with certain lines on the automobile. We say it has good or bad lines. The lines of clothing are agreeable or disagreeable to us; and so the lines of arrangement in our display window will have agreeable or disagreeable feeling-tone. The firmness and dignity in vertical lines make us respond by standing erect and holding the head high. Now regarding horizontal lines, it is easier to swing the head from side to side than it is up and down. Furthermore, objects at rest are in horizontal positions; they therefore suggest peace and quiet and restfulness. Diagonal lines suggest action like that of the athlete running or hurdling, or the dog leaping through space. We seem to have a native preference for ellipses, ovals and oblong shapes rather than for squares and circles,

The shape of almost every article of regular use proves this; for example, the envelope, the oblong desk or door or window or piano, or the store itself, the calling card, dance-hall, living-room, even the display window. Following this same inclination we prefer the cone, pyramid or triangle or star, to the cube or sphere.

Display is not normal unless it has balance. We are very quick to detect lack of balance in anything. In an art window, mass can be balanced against vista, or against other objects suitable in size and suggestive of weight for balance. To avoid topheaviness, more must be below the center than above, where the light and delicate belong; where nature puts the birds and clouds. Too much in the window suggesting overcrowding, is not good. There should be breathing space and allowance for the effect of background.

The attractiveness of color is very great. It too must have harmony, and masses of color must balance if a color scheme is attempted as is often the case in the strictly art window.

The art window is not always possible on account of the nature of the goods displayed. Groups of small articles such as groceries, including teas, coffees, canned goods and the like, must often be displayed in what is some-

times called the "checker-board" arrangement. This arrangement covers the floor and walls of the display case or window, the articles being properly grouped. The disadvantage of this is the appearance of crowding and the tendency to rob of distinctness, with nothing standing out to make a special impression to make one remember.

Some merchants are very successful who use the entire store for display. Although the display windows are to some extent set apart, they are really a feature of the display of the entire store. The vastness and the opportunity to give meaning to all display are extraordinary, especially at night when good lighting facilities unfold the beauties of the entire first floor which has been carefully and purposefully planned and arranged. There is a great opportunity for the furniture dealer with such a display, and for the one who wishes to give distinction to his automobile store.

The observer welcomes the sight of ferns and flowers, velour in proper colors, and other tasteful and suitable decoration. Standards and fixtures rather negative than positive, add to the beauty of the window.

In display, as in personal selling and advertising, the constant effort should be to strike a

responsive chord. There is a way to show goods which will bring out most forcefully their adaptability to needs or demands; link them with the interests of the observer, with his probable desires and habits; appeal to his emotions. When this point of contact, or center of interest, is discovered and featured the work is at its best. If we can bring out the central figure or idea around which everything else revolves and is subordinated, and so create a focul point for flitting attention, the impression on memory is made the stronger—the problem again of the advertiser and the salesman.

APPEARANCE OF THE WINDOW AND THE STORE

The salesman will find that paint, the broom and the wash cloth are not forgotten in running the modern store. The exterior will be attractive, and a good advertisement of what is within, by having it kept painted. The surroundings, walks, windows, floors, display cases, and the goods themselves are kept clean and attractive. In the stores of our larger cities, men and women are constantly cleaning and putting things in order, keeping them fresh, bright and inviting. The good effect of a beautiful painting can be spoiled by putting it in a poor frame. The good effect of our work in the

display window can be spoiled by the detracting influence of a poor exterior.

The public demands frequent changes in the display. As soon as a certain display has done its work it should be changed. The local conditions will help to determine the frequency with which changes should be made, like the density of traffic, and the apparent drawing power of the display. The life and progressiveness of the management are reflected in making frequent changes.

SOME SIGNIFICANT THINGS

The entrances should be carefully located; the doors should work easily or be opened by attendants. They should be wide enough for the traffic, and level with the walks. The factor of safety is always considered because with heavy traffic passing constantly through the entrances, accidents are likely to happen, and damage suits accumulate. Respecting efficiency and economy, the modern manager studies the arrangement of his departments and of the things in each department, placing these in the relation to each other with the idea in mind of making the operation of the entire store as efficient and economical and conve-

nient as possible. Access to the different departments is made easy, the relative density of traffic to different departments being considered. The floor plan is made as simple as may be. In order to prevent crowds from gathering near entrances and interfering with traffic only goods which sell themselves readily should be placed near the entrances. In the floor arrangement the peculiarities of the man buyer should not be overlooked. He will not follow a labyrinth of departments and counters to do his buying. Unless the purpose is to cater to the exclusive class the store will try to educate the public to believe that it belongs to everybody. Goods should be placed where they will, as much as possible, sell themselves even though there is some loss from their being handled freely. The supply of cards should be plentiful, good cards well designed and printed or painted with prices, directions, descriptions and other labor-saving information. Appropriate display fixtures which will save space and labor, as in unpacking, and which will serve as salesmen in many cases, should be plentiful but not conspicuous. Whenever the nature of the goods will permit they should be displayed compactly, in the grocery for example, with canned goods for a base and selected glass con-

tainers for a mounting pyramid. This saves space and adds variety. The importance of association should not be forgotten. Articles most naturally associated with one another should be exploited by juxtaposition in arrangement, by suggestion from the salesperson, and possibly in department advertising, on cards, or even on the containers themselves.

The modern manager studies the records of his store and learns the buying habits of his customers, then caters to these habits. If he sells more hardware on Wednesday than on any other day, he makes an effort to sell even more by catering to this line on that day. He knows the value of traffic throughout the store; it makes the sales. Bargain counters, entertainments, and special attractions are held with the idea of distributing the traffic where it will do the most good. The comfort of patrons and employees is always kept in mind by seeing to ventilation, light, rest rooms, nurseries and other conveniences. The buyer must be put in the right frame of mind to do business.

ORGANIZATION OF THE LARGE RETAIL STORE

The general manager as is usual has charge. Reporting to him are the store superintendent,

advertising manager, merchandise manager, and records manager. The store superintendent buys the supplies, looks after complaints, exchanges and adjustments, deliveries, inspectors and wrappers, care of the building, including heating, lighting, cleaning, repairing and watching, has direction of the stenographers and floor managers. The advertising manager has charge of all copy, preparing for newspapers, display cards, window trimming, and mail-order circulars. The merchandise manager looks after the buyers, salesmen and customers, and probably after the alteration department. The records manager has charge of the stock-keeping, marking and checking, statistics, mailing lists, etc., bookkeeping which includes supervision over cashiers, credit salesmen, purchases and expenses, and also after credits and collections.

THE CONFERENCE IS VALUABLE

The modern manager has his weekly meetings of department heads for the purpose of taking up matters of importance. Periodically the manager gets together his salespeople for conference, general discussions, speech-making, and inspirational work. Complaints, sugges-

tions and new ideas spring from the conference, giving results often of great value. Here is where matters of policy are discussed and determined; problems which can not safely be left to the judgment of one person, are considered and solved by the group.

DETAILS OF MODERN STORE POLICY

The employer is interested in keeping up the health and spirit of employees. This is acknowledged as necessary if enthusiasm and interest, concentration and loyalty are expected. The employer provides for a reasonable amount of rest, for proper ventilation, light, drinking water, sanitary toilets, sometimes lockers and drying-rooms. Very generally now we find the lunch room in the large stores. Good fire protection is essential, and in large organizations sometimes medical attention. The company likes to have its employees satisfied. For their pleasure whenever possible the library is accessible for good reading. The ball team provides healthy outdoor sport, and so the walking club, or the company camp. In some of the largest organizations very high-grade schools are provided for instructing employees in the ways of their work. Employees must not for-

get therefore that the employer feels much interested in their welfare because it is to his interest as well as theirs to have them healthy, efficient and satisfied, and to that end he is constantly planning and working.

Other details of policy are such as having one price to all. The public is too well informed as to prices to overlook any differences. Modern policy also says that it is not good ethics to go beyond the threshold of the store to solicit. Let advertising do this or telephoning perhaps, but not the salesman himself. Then let courtesy reign everywhere says modern policy. Let every one from the general manager to the night watchman be a promoter of courtesy, extending it to every customer, rich or poor, white or black, clean or dirty. The salesman should cooperate in the policy regarding complaints, doing his part to have it reasonable and farsighted with future business in contemplation. Then in the effort to establish confidence, permitting the return of goods under reasonable restrictions is good policy, many concerns regarding it as advisable to do this without question whenever requested. Many stores now have definite lengths of time during which original prices are maintained on certain articles such as millinery, after which reductions are

provided for. Automatic bargain basements are the clearing house for all goods which do not move sufficiently fast in the regular departments at original prices. For their own good, salespersons should welcome the policy of instruction in salesmanship. This adds impetus to business which means a better prospect for the employees as well as the company. They may check and rate the employees. All right; this is good work. Then the salesman knows the measure of his ability and effort and can be governed accordingly. Needless to say there must be honesty in the policy, actual bargains or none, no misrepresentations, no guarantees that are not guarantees. Finally the management must stand by the representations and errors of its employees even though loss is involved, a fact which should bring the constant cooperation and care of the salespeople.

ATTITUDE TOWARD COMPETITORS

Although there is still much suspicion and jealousy among competitors in the retail business, those who are regarded as most progressive have come to realize the importance of working together. This spirit of cooperation has been evoked largely by the creation of the

thousands of commercial organizations, and the spreading of educational literature and propaganda by manufacturers and jobbers. The success of the manufacturer depends on the success of the retail dealer. The manufacturer first realized the importance of developing the cooperative spirit and brought the value of it to the attention of the retailer. Although retail dealers are not attempting to form monopolies, which would be unlawful, they are working harmoniously, each asking a fair price for his goods, each letting the other have his share of the business, each borrowing or buying from the other when necessary, both purchasing from the same manufacturer and often receiving their shipments in the same car. This cooperative spirit is putting life into cities that were dead. It is trimming the whiskers of the fogies; cleaning up the old-fashioned stores and putting them on a modern basis; bringing in manufacturing and increasing the population.

The first thing that the retailer, who would be up to the times, must do is to rid his system of jealousy and suspicion, and over-anxiety to do all of the business in a community, and to replace these retrogressive notions with the spirit of cooperation and good fellowship toward competitors and other business men of

his locality. The salesman must also reflect this spirit in his dealing with the public, not forgetting that his employer pays his salary, nor forgetting either that it is the employer's intention to be fair with all others in business, and that no unfair practises, unfair dealings, or unfavorable remarks will be warranted.

CHAPTER VII

A KNOWLEDGE OF THE FUNDAMENTALS OF ADVERTISING MAKES BETTER SALESMEN

If our selling is at its best, the sales manager is letting advertising do the preliminary work and the salesman do the closing. Clothing, shoes, silverware or cigars are introduced to the buyer in the magazines, newspapers, attractive folders and in the sales letter, long before the salesman has left for the field. Good photographs or drawings with strong, clear descriptive matter have reached the buyer and made an appeal. Possibly he has ordered. Possibly he is in the frame of mind to order. Possibly, yet not often, he has not been impressed by the advertising. Only what the advertising has left undone does the salesman have to do.

We advise our salesmen to have knowledge of goods, of policy, of selling. To be consistent we must advise him to have knowledge of the thing which works with him and like him;—in his stead, in his absence, to do the very things

which he is called upon to do personally,—advertising. If there is any power in advertising, the secret of that power will be of great value to the salesman. The situation which the advertiser must meet is in many respects the situation which the salesman must meet and the ways in which he must meet it. Both are trying to sell, one with the picture and written word, and the other with the article itself and the spoken word. Both are appealing to needs, desires; the advertiser through the eye, and the salesman through the senses generally.

Advertising is done in one or more of the following ways: in the national magazines,—the advertising of the wholesale dealer or manufacturer; in the daily and weekly papers, the mediums of the retailer; in the class periodicals such as the trade journals, farm papers, etc.; on the electric signs and bill-boards; in the street-cars; direct by mail; with letters, circulars, the house organ, etc.; in the theater program; by moving pictures; by demonstration, distributing and sampling, and with the use of novelties.

SCIENCE IN ADVERTISING

Doctor Harry Hollingsworth writes in *Advertising and Selling*: "In the laboratory

we find students measuring the intensity of sensations, the degree of attention, the strength of belief, the legibility of hand-writing, the agreeableness of color combinations, the excellency of literary compositions, the eminence of scientific men, the humor of comic situations, and many other things which are no less subjective than the persuasiveness of a selling talk or the pulling power of an advertisement."

The call of science has reached the field of advertising. Our advertising is still in the experimental stage. We have to try it on the few before sending it out to the many. We are not yet able to predetermine what the pulling power will be without this testing and experimenting. For years the psychologist has been at work and it is claimed that interesting things are developing. The time may come when we shall be able to say that an advertisement of certain structure will appeal and pull, with the same degree of assurance that we now say that sweets will appeal to the child.

THE SPECIALISTS

Advertising has become so important that many large and responsible concerns have sprung up, especially in the largest cities, of-

fering their services to the man who has the big problem. In the largest of these organizations we will find seven or eight departments, the men in each department specialists in their particular line of work. One will have a general knowledge of advertising and marketing, and will be prepared with the assistance of his associates to give general counsel and to engineer the work in connection with a marketing or an advertising problem. Associated with him will be the man who investigates advertising possibilities, another who prepares the copy and plan, another who looks after the art work, still another who has charge of the printing or typography, another who knows all of the magazines, trade papers, farm papers, and other mediums, their prices and advertising value, and lastly the one who checks the advertising to see what it is accomplishing and what it is costing.

THE GREAT WORK OF ADVERTISING

The great work of advertising is to educate; to lay before the public the nature of the thing to be sold, teaching its uses and adaptability to needs; to keep the memory of the buying public refreshed by repetition, by constant presen-

tation from one angle and another; and eventually to get the goods from the producer to the consumer with the greatest economy.

BEFORE WE ADVERTISE WE INVESTIGATE

We do all of the necessary preliminary work before deciding on a campaign. We determine by study, and investigation, and experience, what is the thing to do and the best way to do it. We do not wander around, guessing and groping, trying to get our bearings. We learn what is the kind of advertising that is needed and when and where it should be done and how extensively. We do not overlook the necessity of making it easy for the man who wants the advertised article to get it. We remember that the local dealer may be an important member of this group of campaigners. We try to fix the ratio of advertising investment for the business by considering all relevant factors, like quality, cost, marketing price, whether the article is a necessity or luxury, trade conditions affecting the product, competition, the necessity of acquaintance advertising, the possible per capita sale, the life of the product and rapidity of consumption, change of fashion, whether the demand is seasonable or constant,

the sales support that will be obtained, transportation possibilities, whether or not there is a general line of goods that will derive benefit, whether subsidiary sales will follow, like the records of the victrola, and whether the demand already created must be maintained.

If the campaign is for the ice-cream manufacturers of Omaha, we will first study quotas, examine our government statistics to learn how much ice-cream is consumed per capita in the United States and in certain parts thereof, and especially in cities that have the population and climatic conditions of Omaha. By comparing Omaha's per capita consumption with that of other places of the same character, an idea can be gained of how much the consumption can be increased by good advertising, and how much the advertiser can afford to pay for this campaign. There is nothing of greater importance than to have a good and thorough preliminary investigation before entering upon an extensive advertising campaign. Nothing of importance is done in these days of efficiency without a plan.

Mr. E. E. Calkins, in *The Business of Advertising,* gives a very good summary of the things to be done in planning the marketing of a new product.

"Investigate the market and distributing possibilities," he says; "the attitude of the trade; line up the obstacles and plan for their elimination; get a name—preferably one descriptive of the article, easily pronounced, easily remembered, and capable of being protected legally; get a good package, of good design, shape and appearance with good display value, practical and economical; work out the advertising plan having in mind the traveling man, jobber, dealer, store salesman, consumer and competing goods; decide on a general sales plan fitting it to the conditions and tying it up with the advertising plan; be careful in the selection and costs of media, and the size of space to use; have the copy properly illustrated, designed, printed, and worded compelling attention and pulling value; finally prove the advertising to see that the many parts and detail are in harmony."

THE IMPORTANCE OF COPY IN THE ADVERTISING CAMPAIGN

Copy is the company's silent messenger. It is given the responsibility of telling the advertiser's story. Often the buying public sees nothing of the manufacturer but his copy, not even a salesman. Five thousand dollars may be the price of a single advertisement. If the copy makes no appeal, gets no attention, does not interpret correctly the message of the man-

ufacturer, the money might better be given to charity. Copy has a big job in these advertising campaigns, and it must measure up to this job. The illustration, designing, printing, and wording must be correct.

THE IMPORTANT MATTER OF KNOWLEDGE

Successful public speakers tell us that the secret of good speaking is to have an overwhelming knowledge of the subject; be saturated with it so completely that the ideas flow freely and without hesitation. Study will convince any one that there is not a book on salesmanship, sales letter-writing, or advertising, that does not lay great stress on the importance of knowing all about the thing that we have to sell or to advertise. Unless we ourselves know, we can not impart knowledge. Unless we ourselves know, we can not describe uses and adaptability to needs. Unless we know other articles we can not compare. The man who uses cement likes to know that it is tested every hour and made by experts. The woman who buys ice-cream likes to know that it is rich in butter fat and therefore creamy. By knowing of what an article is made, how it is made, what its history is, we have material that makes advertising what it should be.

Knowledge presents the opportunity to give individuality and distinctiveness. Knowledge gives the point of view of the maker, of the outsider, and of the buyer and user. It comprehends the service that goes with the sale of the article. It places before the advertiser the character of the people who are to buy, their circumstances, financial standing, occupation, sex, age, education, and other factors. It gives us the point of view of the woman, of the boy or girl, of the college man, of the high-school graduate, of the working man.

Dependable knowledge should come from a dependable source. If it is knowledge of the kitchen it should come from the kitchen. Who can tell us more about the needs of the kitchen than the thinking woman who spends her hours there? Who can give better suggestions regarding the nursery than the woman who spends much of her time there? A current advertisement claims that a certain electric iron is correct in every detail because it was designed by women. Every improvement shown is the result of a woman's suggestion.

KNOWLEDGE OF LOCAL CONDITIONS

There must be a market for the article. There must be some one to use it. A farmer

can not use a rotary kiln. We would not advertise rotary kilns in farm papers. If competition is keen and plentiful we must determine intelligently whether it is advisable to spend much money to break into the field. Whether the article is already in the stores or will be when the advertising is sent out, must be taken into consideration. In some localities, and especially in some foreign countries peculiarities of custom may overthrow a selling policy. The color of the container may be sufficient to spell doom. Those who have advertised in Chili know that we can not talk about Santa Claus there; they do not believe in him.

WE HAVE COME NOW TO THE POINT WHERE WE MUST WRITE SOMETHING THAT WILL BE SEEN, READ, BELIEVED AND REMEMBERED

We must write something, we say, that must be seen, read, believed and remembered. We must in other words get attention. If interest and desire are to result, it must surely be read, and if we are to have action immediately or in the future, it must be believed and remembered. The advertising man has a problem that is fundamentally no different from that of any other man in the business of selling. We are going to

find that with difference only in the equipment with which he must work, he obtains volition in the same manner as does any other individual who sells, whether he be the man on the road, in the store, or sending out the sales letter. All must alike go back to the buyer, determine first what will gain his attention. The methods are almost fixed. We learn what, in our article or proposition, will appeal to his interests and desires, and on the strength of the resulting impulse which always accompanies desire, we finally get action. In the following pages we shall get an idea of the methods used by the advertiser in getting and holding attention; how this is developed into interest, eventually into desire, perhaps, and in many cases into the result of making the sale.

In a general way the advertisement is designed by securing not more than a few shapes or forms that are related properly, placing them in proper proportions, providing for sufficiency of base, proper balance, good color combination with correct relation between such details as the picture itself, border and type, a focul point with satisfactory movement of lines to carry the eye to it and to whatever may reinforce it in making the impression; and finally securing strength and harmony.

Possibly the head-line will be a command such as: "Protect Your Family from the Wolf," "Buy Directly from the Manufacturer," "Chew Gridley's Gum." Very often the question is used: "Do You Like Good Fishing?" "Is that Daughter of Yours Going to Boarding School?" "Wouldn't You Like To Bathe at Rockaway?" The head-line may be a mere declaration of style, quality or price. "Pretty Fitting Cravenettes for the Damp Weather," "Our Six Dollar Ladies' Pumps Are Worth Ten," "Working Your Way through College Is Easy if You Are Selling Maps," "Wanted—A Man for This $10,000 Job," "Father! Let's Talk about That Boy." Accompanying a good illustration of ladies' apparel we have; "Slim, Youthful Lines, Flatteringly Plain and Plainly Flattering." The manufacturer of vacuum sweepers says: "More Leisure for Mother." Notice the simplicity of language designed to appeal to the mass in the following: "They Always Want More,—Blank's All O' the Wheat Bread!" "Green's Grapelade, the pure Grape Spread." "Brown's Supreme Ham." "Block's Vinegars,—Every Drop Awakens Flavor." Under the illustration of a kitchen in which

the maid is using the ware advertised we find the head-lines: "You will be prouder of your kitchen than ever before if you equip it with a set of beautiful bright Never Wear Out Aluminum Cooking Utensils." Here is an elaborate New York hotel dining-room filled with guests. Under the illustration we find the heading to a baking powder advertisement: "THE FINEST FOOD IN THE WORLD! That is what New York demands. And New York gets it." Let us consider first the nature of the people to whom we are sending the message, then with the aid of a good picture, a phrase or expression that grips, and strong, well put words we can gain attention.

Attention value depends on the advertisement's position; on whether it is located at the top or bottom, right or left or middle of the page, and whether or not the page is near the front or back cover, or of the advertising sections. Attention also depends on intensity, striking colors, pictures, etc., on the size of the advertisement, on the length of time that it is seen, the frequency of its appearance, the change of form and the display of action.

We have already analyzed the laws of attention. They apply to advertising as well as to other branches of selling. A mental process

such as seeing, smelling or imagining becomes clearer and more distinct with attention; becomes more intense, increased in duration as does time when we dwell on it; comes more quickly into consciousness as do details when pointed out. We have seen that it is the very basis of volition; that it is short-lived, passing from one thing to another quickly, and that its range is limited to a few things at a time.

In order to obtain attention the advertisement must have something in it that will link it, or "tie it up" with the ideas which the reader may have by reason of such factors as education, purpose, age, social environment, attitude, etc. If one is working with a definite purpose, anything tending to aid him will have attention value. If at this moment I were to see an advertisement of a book that would help me in writing on the subject of attention, I would give the *advertisement* attention. If one's attitude toward the idea or suggestion produced in the advertisement is favorable or unfavorable there will be attention value. The tendency to action will be greater if the attitude is favorable. A farmer who has had difficulty with a tractor may be definitely set against tractors and will give no attention to advertisements. If he has used one successfully he will

welcome new ideas and suggestions. Education and experience broaden the interests and change them. Our opinions, tastes, judgments and desires change with education and experience. An advertisement with an appeal to the civil or electrical engineer means little to the man without the engineer's training. Heredity is also important; whether or not we are descendants of the wealthy American banker or the poor German or Swedish farmer or mill employee. Age has much to do with interests, the attractions of youth being different from those of middle and old age. Then social environment must not be overlooked. Those with whom we travel in social life have much to do with the molding of our tastes and habits. We may be individualistic, aristocratic and exclusive, devoting much attention to club, social life, golf, polo, fine horses, hunting and the like, or we may have the simpler, more inexpensive, unpretentious habits of the middle and poor classes. The man who writes the advertisement knows his article and its uses; knows the public and its needs or demands and how best to link the two together. If it is tooth paste the message goes to the world; if it is baking powder, to the housewife; if it is the vacuum sweeper, to the mother and daughter; if it is

the tractor the message goes to the farmer, and so on. Professor Adams, in *Advertising and Its Mental Laws*, says: "The incoming stimulus must be linked up with other ideas, derived either from our past experience, or with our hereditary responses to situations. As given by Pillsbury (*Attention*, p. 50) they are: Idea in mind, purpose, attitude, education, social pressure, and heredity."

MECHANICAL HELPS IN HOLDING ATTENTION

We have seen how attention flits from place to place. Complexity in the advertisement invites this; invites attention to pass from one part of the advertisement to another. Each division of the complex advertisement leads naturally to another, interest and association being brought out in every part and tending by its relevancy to give unity to the whole advertisement. The complexity must be limited to two or three kinds of type or color or figures because of the limit of the range of attention.

Unity is assisted mechanically by such devices as having all faces pointing in the same direction, all arrows, borders, pointers and other details inviting the eye to follow from one thing to another, all relevant and reinforcing in

effect. The center of interest, or focul point, or point of attack, must stand out strongly, not detracted from by over-ornamentation of the rest of the advertisement, if the unity is to be at its best.

OBTAINING PERMANENT ATTENTION

Inasmuch as we have carefully examined the methods of obtaining and holding attention in another chapter, we need only summarize here what has been learned. In advertising we find the methods the same as in every other branch of selling. What does the advertiser select as the means for getting and holding attention in a lasting way? He selects the following: (1) Novelty, the unusual, the grotesque, fantastic, —bizarre effects; (2) Color, looking carefully to the bright and striking, with good tone and harmony; (3) Illustration, including good cuts, photographs and sketches; (4) Action, displayed in persons, places or things; (5) The Comic, portrayed in word and picture; (6) Feeling or Affective Tone, or the quality of giving pleasure, excitement or strain, or displeasure, calmness and ease; (7) Appealing through the fundamental instincts to the interests, emotions, desires and habits.

FEELING-TONE ALWAYS FUNDAMENTAL

In advertising, feeling or affective tone is very important in holding attention. Pleasant impressions made by the advertising remain with us while we evade the unpleasant, retarding its force and making the impression faint. The details of good feeling-tone read much like those which we examined with respect to window and store display and personal selling. There must be symmetry or proper arrangement of the parts of the advertisement with reference to one another; proper proportion or relation in size and degree of the parts; clearness; balance, giving proper distribution at the top, bottom, right or left of the advertisement; harmony or a pleasing agreement of the parts, including the colors; proper colors; proper lines and spaces; proper mass arrangement, and atmosphere. The wording must be correct and pleasing. The objects selected, topics dwelt upon, people represented, purposes expressed, arguments advanced, associations produced, all help or harm the affective tone. The cow itself must be kept out of the advertisement for meats unless its surroundings are idealized. The farmer, not the city banker, must be represented in the advertisement directed to the

farmer. The purposes expressed must be in harmony with those to whom the message is sent. The associations produced must be agreeable. Even such details as the character and direction of lines add to the tone of the advertisement. There must be an opportunity for pleasing eye movement.

THE VALUE OF SURROUNDINGS

Professor Adams (p. 200 *Advertising and Its Mental Laws*) mentions an experiment on ninety-nine students of the University of Michigan for the purpose of determining the effects of surroundings on the pleasantness or unpleasantness of an advertisement. A certain food advertisement was arranged on a large page surrounded by advertisements of other concerns. The experiment showed that pleasantness was greatest when this advertisement was placed with other edibles such as candy, pop corn and pork and beans, next in the order of pleasantness when surrounded with chocolates, locks and insurance, third in the order of pleasantness with an advertisement of an optical company; fourth, when placed with chocolates, a jewelry advertisement and cameras. The lowest in order of pleasantness was obtained with hosiery, rubber heels,

etc. In other words the more heterogeneous the surroundings became the lower the degree of pleasantness.

STRIKING THE RESPONSIVE CHORD

There is something about every article to be sold that makes the strongest appeal; pulls the hardest; produces action the quickest. That magnetic something is important. In order to find it we must know our article from raw material to finished product, and all of its possible uses, and we must know people of all classes and their needs; we must have their point of view with relation to the article. In personal selling we have a much greater opportunity to determine adaptability than in advertising. In advertising, what we are able to learn in our study and experiment with the few we apply to the many. We must in advertising determine the vital point of attack before sending out our expensive message or we lose. The quicker we discover it the more goods we sell at the least cost.

Efforts have been made to compare the relative strength of different appeals but only in a general way and not very successfully. Tests have been made on students in different

universities under conditions which taken together did not represent exactly the situation that the practical advertiser has to meet. The experiments are on an educated class which does not represent the cosmopolitan character of the mass to which the advertising message is usually sent. We show for comparison the results of tests made at Harvard and at Columbia. The strength or pulling power is shown in the order reported in the tests. The appeals were in the abstract and presented to twenty men and twenty women at Columbia.

Tests at Harvard	Tests at Columbia
1. Mere assertion of value	Manufactured by approved Scientific Methods
2. Time saved; efficiency	Durability
3. Scientific construction	Sanitary
4. Durability	Efficiency
5. Economy	Time saved
6. Reputation of firm	Appetizing
7. Modernity	Family affection
8. Personal comfort	Value
9. Health, cleanliness	Evolution—years of experimenting
10. Imitation of others	Ambition
11. Appetizing	Self-defense
12. Recommendation of others	Reputation

13. Ambition and pride	Guaranteed
14. Sporting instincts and play	Guaranty
15. Family affection	Safety
16. Medicinal value	Popular
17. Hospitality and courtesy	Economy
18. Civic loyalty and patriotism	Maternal love
19. Used by social superiors	Modernity
20. Beautifying qualities	Health
21. Imported	Quality
22. Warning against substitutes	Elegance
23. Sympathy	Bargain
24.	Sympathy

The Columbia list was more lengthy. Courtesty was placed at 27, amusement at 29, hospitality at 30, cheap at 36, civic pride at 40, patriotism at 41, style at 45, imported at 48, beautifying qualities at 49.

Abstract appeals are too general to be of use. The warning against substitutes may be vital in the purchase of some articles and mean little in the purchase of others. Convenience may be the appeal in preparing soup; hospitality in the service of a hotel or bank, ambition and family affection in the matter of education, but none of these may be important necessarily in connection with other things. One of our large magazines found that the appeal to

the boy to make money by selling the magazine was not nearly so strong as the appeal to the parents to have him do something useful. The correspondence schools talk rather of knowledge, position and salaries than of books and study. The talking machine companies talk of Creatore, Caruso and Gluck rather than of the mechanical details of their machine. The development of personality may be uppermost in the minds of some. The fact that overalls are union-made may produce action in the union man. Style is surely uppermost in the mind of the society woman posing as a connoisseur of fashions.

We are back once more to the problem of knowing our article or proposition, and the individual to whom we expect to sell and his needs or demands all well enough to find the strongest bond of connection between them. We are back again to the question of determining interests; of learning to what emotions or desires or habits we can most successfully make the appeal. Perhaps you play golf. Will not an advertisement with a good photographic suggestion regarding the making of a certain shot strike you? Would you not be inclined to send for the advertiser's booklet on golf? If you are a housewife would not the photograph

of a modern kitchen displaying a labor-saving convenience make you read the text of the advertisement? If you like chickens would you not read a story about them? If your boy is in the university would you not be interested in something pertaining to his work? Here before me are sections of well-known magazines appealing with mere announcements to the general interest in education. The desire for food is so strong that interest is aroused with pictures of appetizing dishes and accompanying recipes, and surrounding them with little stories of human interest regarding the home. A flavoring extract advertiser pictures the children expressing a craving for cakes flavored with his vanilla.

The granite company says, under the headline on the monument: "In Loving Memory—Grief mellows with the years, and the tomb becomes the shrine of tender memories. And what tribute more fitting, more adequate than a design in the lovely gray of the eternal granite, the finest and most enduring of monumental materials."—An appeal to the emotion of grief. The following appeals to the desire to save or accumulate, acquisitiveness; "economize by reducing rent with an Easy Davenport; install one in your library or parlor and you add to

your home the equivalent of an extra bedroom and save at least ten to fifteen dollars monthly.'' Appealing to habit we find a biscuit company picturing a table with a vase of flowers, a book and a box of wafers, under which are the suggestive words: ''A good book, a quiet nook, and our wafers to eat between thrills of the story.''

Not only the wording but the general structure of the advertisement should have an element of interest. The arrangement, typography, ornament, literary style, illustrations should produce agreeable or disagreeable, strained or unstrained, comfortable or uncomfortable sensations as demanded. Novelty in cuts, faces, forms, shapes and designs, in arrangement, name, spelling, position, trademarks and trade names, verse and expressions. People love the colors; pause to discuss them; recall them; plan on them. They are of great consequence in getting the advertisement to function as it should. Pictures, when appropriate, striking and artistic impress the visualist who reads in pictures rather than in words; and when relevant they reinforce the advertisement for all classes. Always interesting are persons, animals and things in action,—the dancing maiden, for example, the runner in action or the tarpon leaping in the air.

THE PICTURE AND THE SUGGESTION

The eye is constantly glancing at objects. During every hour of the day the mind receives its myriad of impressions through the eyes. How much easier and how much more natural for me to glance at the vase of peonies on my desk this morning than to read a description of it. How much easier to glance at the picture of these peonies than to concentrate on a description in words. Pictures probably appeal more to the visual than to the auditory motor type, yet the appeal is strong to both. Pictures are one of the simplest, most powerful means of description, clear to the child, and understood even by those who can not read. The language of the picture is universal. For these reasons a picture has come to be a part of almost every good advertisement. The experienced advertiser sees that it is relevant, associated with the thought or message which he is driving home, reinforcing instead of detracting from it. He lets it portray what may connect with the reader's interests, emotions, habits or desires, doing team-work with the words of exposition, description, persuasion or argument. He is guided again by the rules or laws of attention, interest, desire and volition in the

selection and use of the picture. It will have its focul point and those associated with it. It will have its balance, intensity, unity and other requirements. It will have novelty and originality not overworking such pictures as that of the child or pretty woman. It will not cover too much ground, often showing only a part of the human figure in action, a small section of the room, or part of the floor surrounding the vacuum sweeper perhaps. The nature of the article will have much to do with this, some articles demanding more extensive environment.

IMAGINATION PLAYS AN IMPORTANT PART

What wonderful power in the imagination! With it we do all of our designing, inventing, painting; all of our creative and constructive work. With it we give different surroundings to the thing which we have to sell, different conditions, place it among different kinds of people in different parts of the country, in different climates. We can with the imagination picture to ourselves and to our readers, *our* boy in the executive chair; picture the sportsman in the streams of the Rockies; place ourselves under the spray of Niagara, gathering violets. We can see the truck load of peaches going from our orchard to market, over good

roads, with no transferring or unnecessary handling. We can see the possibilities of a certain investment. Imagination is the master-painter or artist, giving vivid pictures of pleasure, of delicious foods and pleasing drinks, of beautiful gowns, of modern homes. The salesman and the advertiser play on this imagination, making it work to their advantage, placing the article in the fancied possession of the buyer and picturing its uses and advantages. It helps to give tone to the advertisement. By arousing the images of the sense of touch, taste, smell, or temperature, great force is added to the advertisement. Words full of relevant and proper suggestion will do this; making these appeals over the subconscious route to emotion, desire or habit rather than to reason. Pictures and words which arouse pleasant associations are very effective in doing this, especially if the words are taken from the vocabulary of poetry and romance; the field of song and story.

LANGUAGE: THE STYLE AND FORCE OF THE ADVERTISEMENT

Discourse is of four kinds: descriptive, narrative, persuasive and expositive. Description represents to the reader the attributes or gives

the characteristics of an article, portraying and explaining its construction, operation and uses. Narration in advertising gives the story of the history and achievements of the company and its article. "For sixty years our goods have made their frequent turnovers on the shelves of America's best stores." Persuasion, consisting of exhortation or argumentation, works on such feelings as those of gain, comfort, fame, honor, ease, etc., and makes its appeal to reason. It presents arguments for and against, anticipates objections and otherwise debates the question of purchase or ownership in a convincing way. To be most persuasive the copy should present the affirmative of a proposition, give liberal presentation of the other side, anticipate the objections, avoid arguments and if possible summarize what has been presented. This can be most successfully done in the letter or folder where space is more plentiful. The advertisement brings out the information piece by piece; point by point. Persuasion recommends, appeals to interests. Exposition explains how an article does what is claimed for it. Illustration is valuable in exposition. The information must be exact and condensed, not introducing persuasion or other kinds of discourse.

The literary style and force of the appeal is as important as the style of the writer of books. Putting our personality into advertising may make specialists of us. Not all advertisers are adapted in personality and style to advertise certain articles. A man who might be excellent in advertising furniture might be a failure with tobacco. He might write a good advertisement for a camera but be unsatisfactory for soft drinks. The style must be appropriate for the thing to be advertised. Good style requires the use of the matter that is interesting, presented naturally and sincerely, rather than too cleverly and smartly. This, however, does not mean sacrificing brightness, picturesqueness and cheerfulness when the article advertised permits. The breezy and possibly the slangy style has its place in advertising as well as on the stage, and in good literature. Whatever the character may be, it must not detract, like the over-dressed salesman, from the force of the appeal. Catchy, cute, sparkling and amusing expressions are appropriately used for low-priced articles like household utensils, soaps, washing powders, drinks, tobacco, etc. The best advertisement gives the reason why the statements of the advertisement are true,—the convincing style. The light and catchy and breezy is intended to

appeal rather to impulses than to calm deliberate reflection.

The use of the pronoun "you" has been used freely in advertising as in letter-writing. Possibly it has been overdone. Too much "you" and "your" may become monotonous. When used to a reasonable extent it is very effective. "Your boy should be a lawyer," "Your coal bins will be empty," "You, sir, should take advantage," etc., are examples of this use. Conversational style is often used to advantage. Popular stories are full of dialogue and conversation. When it is natural it is interesting. Manufacturers of medicines, cosmetics and other articles find the testimonial form valuable. Another popular style is the story advertisement or descriptive article. The tire manufacturer tells us how the gum is gathered in the Tropics and put into the rubber that makes our tires. The asphalt company lets us know that nature seasons its product under the sun of India. The retail dealer tells us the story of how he is able to give a bargain.

Price, when comparatively low, may be attractive to the economical, but to the exclusive may make no appeal. Positive statements are regarded as more forceful than negative ones yet the circumstances may change this opinion.

Associations produced should be positive rather than negative. Sometimes we may find the shocking producing best results especially if accompanied with benevolent appeal. "Whose Fault?" says the advertiser of goggles under the picture of the unfortunate man who has just lost his sight. In the trade papers we find the language of the chemist for the chemist and the language of the engineer for the engineer. If we are writing to the great cosmopolitan world our language must be the language of the mass, simple and clear but proper.

FIXING THE IMPRESSION

Association, we have found, is the basis of memory. If two ideas enter consciousness at the same time, or in immediate succession, the reentering of one idea at a later date will tend to bring to consciousness the other. The more frequently that a nervous current passes over the same pathway to the brain the deeper and more distinct does this pathway become, much like the pathway in the meadow from constant use. As walking becomes easier on a smooth pathway so nervous currents pass with greater ease over well-worn nervous pathways. A well-defined pathway tends to drain energy from

other centers not so well-defined and active only at random. This exchanging of energy produces a connection called association. One idea is bound up with others; grouped. Associated ideas are therefore the result of these modified brain pathways. Single unassociated ideas spring up spontaneously in the mind; connection with other associated ideas brings them up. "Association takes place when nervous energy from one center flows out into related centers, causing a corresponding related consciousness. This overflowing of energy must take place along a nervous pathway, and this pathway must be formed in the nervous tissue before the exchange is direct. The general rule is that energy radiates out in all directions from a center so long as all paths have equal resistance. Now if two adjacent centers should discharge at the same moment, there would be a pathway between them which would be doubly excited, and hence its resistance would be lowered.....Every element thus tends to bring up again the whole of which it was previously a part."*

Association is therefore important in fixing the impression of our advertisements. Naturally we can take advantage of it in many ef-

*Hollingsworth—*Advertising and Selling,* page 190.

fective ways. Contiguity has been exemplified since advertising began in such expressions as "Opposite the Hippodrome." "Just east of the Gayety." "Over Brandeis." Similarity, or the resemblance of things to each other tends to recall either to the mind when the other is presented. Certain elements of each being similar or identical call up both wholes of which they have before been a part. One man's walk reminds of another's; one man's nose, of another with a nose of the same kind. Two names or two places that are similar will be brought up together by association. Still another basis of association is emotional congruity. If the feelings aroused by two different experiences are the same, experiencing later one feeling will bring up the other. The advertiser sees that these feelings are agreeable, because they may lead us to purchase. Such appeals are successfully made through sympathy, interest, loyalty, civic pride, local atmosphere, excitement over current events, popular ideas, fashions, customs, crazes or whatever the public is most directly and immediately concerned in, or better still, permanently concerned in like matters of general welfare.

Our advertisers have long ago learned the importance of frequency in fixing the impres-

sion of an advertisement. The most often repeated gives the strongest connection. Tests show that repeated material obtains several times the memory value of unrepeated. Next to repetition in strengthening the association and fixing the advertisements in the mind is vividness, brought about through surprise, strong attention, interest, desire, fear, hope, envy, or some other interest, desire, emotion or habit. That is the reason we find advertisements in strong colors. That is why in the large cities we find the enormous signs; humorous associations such as are now being used by a prominent soft-drink manufacturer and by some of the tobacco companies. This vividness is brought about by having the reader dwell on the advertisement by such means as the clipping of coupons, tracing the picture, selecting mispelled words, or names, suitable jingles, etc. The first impression or association is important since it will generally predominate when other factors are equal. Tests showing the value of position of an advertisement prove that the first and last pages are remembered better than those in the middle section. The last impression will also be important, however, in many cases as important as the first. The length or the amount of detail in the adver-

tisement is important in fixing the impression, the amount remembered depending on the length. Memory depends furthermore on the attention value of the advertisement. Whatever helps attention helps memory. In familiar songs and jingles we have examples of the importance of rhythm and rhyme in fixing impressions. The words or melody of a song or the catchy arrangement of a jingle will remain with us in spite of our efforts to forget them. And so with cleverly arranged expressions containing alliteration. "The Home of the Honey Bees" is used by the manufacturer of honey. "Put your Sweeping Reliance on a Bissell Appliance." "The Supreme Seasoning." "Pioneer Makers of Power Washers," these are samples of alliteration and rhyme. Ingenuity holds what novelty attracts. "Keen Kutter," "Upsonize," "Rough on Rats," such expressions are not easily forgotten. If the advertiser can influence the reader to go through certain movements in connection with the advertisement the memory is aided. Many people in memorizing must be rocking or swinging, waving the arms, reading aloud, moving the lips, etc. This is called motor-reinforcement, producing action to strengthen the impression of what we say in the advertisement. "Weigh

Yourself. If You Are Five Feet Ten You Should Weigh 175 Pounds." "Test Your Mouth for Acid," suggesting motor-reinforcement in the appeal to the desire for health.

Back in 1908 Professor Walter Dill Scott, of Northwestern University, finished his work on *The Psychology of Advertising,* one of the first works by a psychologist on the subject of advertising. In this work he said regarding memory: "Impressions once received leave traces of themselves, so that, in imagination, we can live over the same experiences and can recognize them as related to our past. The knowledge of former impressions, or states of mind, which have already once dropped from consciousness, is what is known as memory.... Our memories gradually fade with time..... We forget very rapidly during the first few seconds, minutes and hours." (See page 8.) "One can improve the memory by the observance of a few well-known and thoroughly established principles.... Repeat it in all ways possible—say it over aloud, write it, look at it after it is written, think how it sounded when you heard the name, recall it at frequent periods and until it has become thoroughly fixed in your mind."

Besides repetition Doctor Scott mentions in-

tensity, association and ingenuity. Let us have his own words regarding association. "The things which we think over, classify and systematize, and thus get associated with our previous experience, are the things which we commit most easily and retain the longest..... The details of business or professional life which are connected in a series are not hard to learn, and are not soon forgotten."*

The successful advertising man constantly strives for greatest memory value. The advertisement must call up many pictures, each of which tends to reinforce the argument. In repetition he will preserve identity but present from different angles, in new and refreshing ways. He will look to proper color, contrast and harmony in the advertisement itself and in its surroundings on the page. Then he will make full use of the power of association, taking advantage of emotional congruity like picturing the esthetic in connection with the talking machine instead of the tone; picturing the wonderful climate, abundant crops, etc., in connection with lands in California. He will take advantage of the mechanical adjustment of things to assist memory; the ingenious

*Page 10—*Psychology of Advertising.*

method including unusual spelling, newly coined words and expressions, verse, etc. Then he will change his appeal to win those whose imagery is of a particular kind, imagery being visual, auditory, muscular, gustatory and olfactory.

PROVOKING RESPONSE

We have considered some of the ways of attracting and holding attention, arousing interest, and of fixing the impression of the advertisement in memory. Consideration must now be given to the all-important matter of obtaining volition. When a reader has been influenced by an advertisement or series of advertisements to the point where he is in the frame of mind for buying, suggestion is effective in provoking response. This is done by appealing to the imagination by command or assertion, question, invitation, or appeal to the fundamental instincts, interests, emotions, desires or habits;—what the psychologist calls ideomotor action, which we have referred to in other branches of selling. The nervous energy generated by the suggestion emerges at the other end of the arc in the form of action. The suggestion must have strength and vividness. The one who makes it must have accepted

knowledge and authority. Like the advertisement itself the suggestion must come frequently, first in one form and then in another, appealing to one kind of imagery or another. The suggestion must be positive rather than negative, because it leads us to act on impulse rather than after deliberation. If, therefore, we suggest the negative we obtain the negative. Finally the suggestion must be in harmony with well-established habits and feelings, not inviting us to violate our every-day habits and customs.

If we expect our advertisement to close orders we must give the reader the path of least resistance in ordering, asking him to do no more than "pin the bill to the advertisement" or return the coupon, postal or other device. The method of ordering must center on some simple and single operation, preferably not requiring the sending of money. Willingness to send at the seller's risk for the buyer's trial and approval is now very popular.

ADVERTISING AND DEMONSTRATING WITH MOVING PICTURES

Moving-picture advertising, either through the medium of the theater, or in the use of the machine in connection with personal selling of-

fers an exceptional opportunity for effective work. We have found in the study of attention and interest that action is exceedingly valuable. Persons or things in action, or represented in action by language or picture or both always bring attention and probably interest. The great advantage of moving-picture advertising is the possibility of displaying action; it is action itself. Furthermore it gives unusual opportunity for concentration, nothing else for the time being presenting itself on the screen or in the environment. The reader is present of his own volition for pleasure, when not pressed with details of business or profession.

It presents a great opportunity for realism in bringing to the public the story of the manufacturer; his plant and its environment, methods of manufacture and other information not possible to convey equally well in any other manner. Names, addresses, trade-marks, catch phrases and other features can be brought out very strongly. Appeals to the human interests, desires, emotions and habits can be, by means of real humorous or dramatic situations, given an indelible impress on the minds of those who see the picture. The manufacturer of woolens, oriental rugs, furniture; the laundryman, the summer resort, the railroads, have tried the

moving-picture and many continue to use it with great enthusiasm. It is adaptable for demonstration of endurance, speed contests, unusual production, power like that of the motor-truck, showing the tire from the time the rubber is gathered in the Tropics until it is on the car or truck. Where actual demonstration is impossible the film is used to good advantage. The salesman carrying the film can demonstrate the tractor, the great crusher, the rotary kiln, and other equipment and machinery too large or otherwise impossible to demonstrate actually. It has been used to demonstrate the use of dynamite in farming, blowing trees and stumps. Even the newspaper by promoting its occasional local romance gets its advertising benefit, while the local exhibitor, appreciating the value of the local appeal, is generally willing to show the film without charge. Some specialists in this form of advertising have made the claim that eventually every business organization of any importance will have its moving-picture department constantly working out new ways and means of using the picture to advantage, and in many cases going so far as to have a group of actors and equipment, including the studio.

THE END

INDEX

INDEX

ACQUISITIVENESS, 68.
ADVERTISING: and the salesman, 165; cooperative, 184; the salesman should know, 249; science in, 249; specialists in, 250; great work of, 251; investigating before advertising, 252; importance of copy, 254; knowledge of local conditions—general, 256; copy that will be seen, read, believed and remembered, 257; description of, 258; attention, 259; head-lines, 260; mechanical helps in holding attention, 263; obtaining permanent attention, 264; feeling-tone, 265; surroundings and their importance, 266; the big idea—responsive chord in copy, 267; interest, 270; the picture and suggestion, 273; imagination in, 274; language in, 275; fixing the impression, 279; response, 286.
ALIMENTIVENESS, 69.
AMATIVENESS, 70.
ANGLES FROM WHICH THE SUBJECT OF SELLING MUST BE ANALYZED, 3.
APPEAL TO FUNDAMENTAL INSTINCT HAS STRONG ATTENTION VALUE, 120.
APPEARANCE OF THE SALESMAN, 12.
APPLYING FOR A POSITION, ADVICE TO THE SALESMAN, 157.
APPROBATIVENESS, HOW TO TAKE ADVANTAGE OF IT, 78.
ASSOCIATIONS: 279; advertising of, 184.
ATTENTION: 46, 107; obtaining, 110; value of, 113; volition based on, 115; must not overwork, 116; kinds of, 116; permanent, importance of, 117; pictures used effectively in gaining, 118; activity has strong attention value, 118;

feeling-tone and, 119; appeal to instincts gives strong value, 120; appeal to habit, 121; mechanical helps, 263.

BIBATIVENESS, 69.
BLOND AND BRUNETTE, 92.
BONE AND MUSCLE TYPE, 91.
BONUSES: 162; point system, 163; diagram of a point system, 164.
BROW, IN CHARACTER READING, 100.
BUYER, THE, 4-39; how study him, 40; physical and mental make-up, 41; the things to which he responds, 67.

CALCULATION IN THE BUYER, 82.
CAUTIOUSNESS IN BUYING, 77.
CHARACTER, 7-17.
CHARACTER READING: 86; opinions regarding, 87; fundamentals of, 87.
CHIN, THE, IN CHARACTER READING, 103.
CLEANLINESS, PHYSICAL AND MENTAL, 13.
COLORS IN GETTING ATTENTION, 118.
COMPARISON IN BUYING, 83.
CONDITION IN CHARACTER READING, 98.
CONFIDENCE, ESTABLISHING, 185.
CONJUGALITY, 70.
CONTACT WITH TRADE, 9.
CONTENTS, 161.
CONVENTIONS, 172.
COOPERATIVE ADVERTISING, 184.
COORDINATION OF KNOWLEDGE, 54.
CREDIT AND THE SALESMAN: 167; risks good and poor, 168; watching the credits, 172.
CRITICISM OF COMPETITION, 33.

DEMONSTRATION: 185; with moving picture, 287.
DESIRE: 107; what it is, 127; effected by environment, 129; place in sales process, 127; important in volition, 133.

DESIRES AND THEIR EFFECT, 63.
DESTRUCTIVE DEALER OR BUYER, 75.
DISPLAY: window and store, 231; lines and surfaces, balance, unity, meaning, 233; appearance of window and store, 238.
DISTRACTION, AFFECTS ATTENTION, 122.
DRESS, 14.

EMOTIONS, APPEAL TO, 61.
ENGLISH, 29.
ENVIRONMENT IN READING CHARACTER, 95.
EXPRESSION AND CONDITION IN CHARACTER READING, 95.
EYE, THE, IN CHARACTER READING, 102.

FACE AND FEATURES, IN CHARACTER READING, 92.
FACULTY PSYCHOLOGY NOT NOW RECOGNIZED, 67.
FAT MEN, 90.
FEELING AND FEELING-TONE, 58.
FEELING-TONE AND ATTENTION, 119.
FIGHTER, THE, IN BUSINESS, 75.
FOCAL POINTS, CENTERS ATTENTION, 122.
FOREHEAD IN CHARACTER READING, 100.

HABIT: 64; appeal to, 121.
HAIR, 99.
HEAD, IN CHARACTER READING, 98.
HEAD-LINES, 260.
HIRING SALESMEN, 156; standardizing, 158; nature of work determines character of men, 159.
HONESTY, 6-18.
HOUSE ORGAN, 181.

IDEA, ASSOCIATION OF, 49.
IDEOMOTOR ACTION, 134.
IMAGINATION: 32-47; in volition, 133; in advertising, 274.
IMITATION, 83.
INDIVIDUALISTIC, CATERING TO THE TENDENCY TO BE, 84.

INHABITIVENESS, 72.
INITIATIVE, 23.
INSTINCTS, 60.
INTENSITY, EFFECTS ATTENTION VALUE, 122.
INTEREST: 107; ways of arousing, 123; some things in themselves interesting, 126; things which are interesting, 125, man's business interesting to him, 126.
INTERESTS: 62; what they are, 124.
INTRODUCTION IN SELLING: 108; importance of, 109.

JUDGMENT, 27-56.

KNOWLEDGE: of men, 22; of goods, 19.

LANGUAGE, IN ADVERTISING, 275.
LAUGH, IN CHARACTER READING, 104.
LETTER: the sales, 175; 187; living personalities, 187; conversational tone, 188; stock phrases, 189; examples, 192; appearance of, 197; making the sale by, 198; obtaining interest in, 200; gaining attention in, 198; creating desire in, 202; getting action, 204; following up with, 205; the salesman and the, 206.

MAKING THE SALE: 6; steps involved in, 109.
MANNER AND MANNERISMS, 15.
MEMORY: is power, 30; and its laws, 48; strengthening the, 51.
MENTAL EQUIPMENT, 46.
MENTAL HABIT, 56.
MIND, CAPABLE OF CERTAIN STATES OR PROCESSES, 68.
MOOD AND TEMPERAMENT, 66.
MOUTH, IN CHARACTER READING, 103.
MOVING PICTURES, 287.
MUSCULAR RESPONSE, 45.

NAME: remembering, 30; spelling, pronouncing, etc., 31.
NOSE, THE, IN CHARACTER READING, 101.

OBJECTS OF SALE MORE INTERESTING THAN PICTURES OR DESCRIPTIONS, 122.
OLD AND RELIABLE WANTED, 82.
ORIGINALITY, 23.

PARENTAL AFFECTION, 71.
PEOPLE DIVIDED INTO GROUPS, 90.
PERCEPTION, 47.
PERSISTENCE, 24.
PERSONALITY IN THE SALESMAN, 10.
PHRENOLOGY NOT RECOGNIZED, 67.
PHYSIOGNOMY, 86.
POLICY IN BUSINESS, 7.
PRELIMINARY WORK, RELIEVING THE SALESMAN OF, 8.
PROPORTION, IN CHARACTER READING, 95.

QUOTAS, 161.

REASONING, THE PROCESS OF, 55.
RELATION BETWEEN ALL BRANCHES OF SELLING IS CLOSE, 2.
RESOURCEFULNESS, 23.
RETAIL SELLING: 208; science and efficiency in, 209; locating city, store, 210; sales and profits, 212; efficiency, 212; being on time, 214; dress and manner, 214; discipline, 215; knowledge of goods, 216; suggestions, general, 218; strive to please, 219; the name, remembering, getting correct, 220; tact and other qualities, 220; originality, 221; appeal to instincts in selling, 222; feeling-tone, 223; closing sales, 224; know other departments, 226; be methodical, 227; be careful, 228; attention obtained in, 229; visualizing the customer, 230; better salesmen have breadth, 231; window and store display, 231; significant things: arrangement, organization, conference, policy, attitude toward competition, 239.

SALE: what it is, 5; making the, 106.
SALES ARGUMENT: preparing, 138; standardizing, 139; proving uses, etc., 142; competition, 143; language of, 143.
SALES CONVENTION, 172.
SALES DEPARTMENT: 146; sales office, 147; organization, 148; district office, 150; orders, filling, 151.
SALES LETTERS, 175.
SALES OFFICE, FORMS AND RECORDS, 153.
SALES PROCESS, DIAGRAM OF, 11.
SALESMAN: analyzing him, 99; advice to, when applying for position, 157; hiring, 156; and advertising, 165; and credit, 167; training, 160.
SCIENCE APPLIED TO SELLING, 1.
SECRETIVE DEALER OR BUYER, 76.
SELF-ESTEEMING BUYER, 79.
SELLER: 4; and his obligations, 6.
SELLING AT RETAIL: 208; by telephone, etc., 174.
SENSATION, 46.
SENSES AND THE NERVOUS SYSTEM, 42.
SERVICE, 7.
SET TASK, 161.
SHIPPING DEPARTMENT: 151; reports, 152.
SINCERITY, 16.
SOCIAL INSTINCT, 72.
STANDARDIZATION, 8.
STRUCTURE, IN CHARACTER READING, 94.
STUBBORNNESS, OVERCOMING IT, 81.
SUCCESS, ELEMENTS OF, 36.
SUGGESTION: what it is, 135; authority behind, 136; must have intensity, force, etc., 137; effect on volition, 134.
SUMMARY OF SALESMAN'S QUALIFICATIONS, 34.
SPEECH AND ACTION IN CHARACTER READING, 96.

TACT, 28.
TASTES, CAPACITIES, ETC., 62.
TELEGRAM AND TELEPHONE IN SELLING, 174.
TEXTURE, IN CHARACTER READING, 94.

THING TO BE SOLD, 5.
THINKER, SALESMAN MUST BE, 35.
THOROUGHNESS, 25.
TIT BITS—LETTERS TO SALESMEN, 178.
TRAINING SALESMEN, 160.
TYPES, PHYSICALLY FRAIL, ETC., 90.

VITATIVENESS, 73.
VOLITION: 108; in selling, 130; the fiat or resolve, 130; holding attention, 131; imagination and, 133; desire and, 133; suggestion and ideomotor action, 134.

WASTEFULNESS, 33.
WILL, THE, 49.

ALBERT R. MANN
LIBRARY

NEW YORK STATE COLLEGES
OF
AGRICULTURE AND HOME ECONOMICS

AT

CORNELL UNIVERSITY

Cornell University Library
HF 5438.E25
Psychology of salesmanship,
3 1924 013 823 178
mann

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924013823178

PSYCHOLOGY

—OF—

SALESMANSHIP

BY

GEO. R. EASTMAN, A. B., A. M.

TEACHER IN STEELE HIGH SCHOOL

SECRETARY OF THE REX FILM RENOVATOR MFG. CO.

AUTHOR OF

PSYCHOLOGY OF BUSINESS EFFICIENCY

PSYCHOLOGY OF ADVERTISING

(IN PREPARATION)

"The master of the art of selling is the master of men"

—Psychology of Salesmanship

THE SERVICE PUBLISHING COMPANY

DAYTON, OHIO

L.L.

COPYRIGHT, 1916
—BY—
GEO. R. EASTMAN

Pg. 9885

CONTENTS

FOREWORD

	Page
Selling the Contents to the Reader	7

INTRODUCTION

Salesman Performs an Economic Function	10
Practical Knowledge and Skill	11
Salesmanship Is Applied Psychology	15

PART I

Making the Sale

Preparation of Salesman and of Selling Plan	16
Parts of the Selling Process	16
Pre-Approach (Investigation and Preparation)	19
Approach and Securing Attention	25
Solicitation	31
Aim of the Solicitation	31
Stating the Aim in Taking Up a New Point	36
Putting the Main Points in Writing	37
Adapting Solicitation to Customer's Mind	39
Effectiveness Cumulative	41
Brief Solicitation First	42
Renewal of the Solicitation	43
Truth	45
Demonstration	47
Arousing Irrelevant Impulses	50
Illegitimate Means	51
Making Solicitation Effective	52
Diagnosis	58

Dealing with Objections 67
Making Known the Price 74
Feeling Out and Closing 75
After Closing 86
General Considerations 89
Salesmanship As a Profession 92
Problems of Marketing Commodities 94

PART II

Process of Thinking, Feeling and Acting 102
Behavior 102
Distinction between Mental and Physical Processes .. 102
Subjective and Objective Realms 103
Method of Gaining Psychological Knowledge 105
Experimental Psychology 106
Knowledge of the Minds of Others 107
Classification of Conscious Processes 108
Mind and Brain 111
Habit 111
Acquiring Proficiency in a New Line 114
Association of Processes of Thinking, Feeling, and Acting 117
Association by Contiguity 117
Association by Similarity 119
Memory and the Art of Recollecting 123
Association Processes in Education 128
Process of Learning 129
Learning Aims to Grasp the Significance of Things 132
Most Efficient Method of Learning 134
Interest and Attention 139
Voluntary and Spontaneous Attention 141
Focus and Margin of Attention 145
Expectant Attention 146
Attention Determines Thinking, Feeling and Acting 148
Acts of Will, or Ideo-Motor Activity 150
Acts of Will Involving Deliberation 151

THINKING 153
Test of Truth 162
JUDGMENT AND REASONING 164
Belief and Action 167

PART III

FACTORS WHICH DETERMINE THINKING, FEELING AND ACTING 169
INSTINCTS OR PREDISPOSITIONS 169
Enumeration of Instincts 173
Instincts Require Educational Development 177
Modification of Instincts 180
WILL TO LIVE 182
Instinct of Self-Realization 182
Moral Interest 185
Two Meanings of Interest 189
CLASSIFICATION OF INTERESTS 191
Morality—the Major Interest 191
Philanthropy Interest 194
Politico-Legal Interest 195
Family and Home Interest 195
Sociability Interest 196
Health Interest 197
Education Interest 197
Aesthetic Interest 197
Wealth Interest 198
Vocation Interest 199
Work and the Need for Recreation 202
Recreation Interest 204
CORRELATION AND CO-ORDINATION OF INTERESTS 208
INTEREST, DESIRE, VALUE AND PRICE 212
TRUTH, THE IDEAL OF SELLING 216
AWAKENING LATENT NEEDS 219
AROUSING DESIRE 220
SUGGESTION AND IMITATION 223
Factors of Suggestibility 225

Subconscious Imitation 231
Conscious or Intentional Imitation..... 234
FULLY REASONED CHOICE AND DEMONSTRATED TRUTH..... 239
RATIONAL SUGGESTION AND RATIONAL IMITATION..... 241
Rational Suggestion 242
INCREASING THE EFFICIENCY OF THE SELLING FORCE..... 250
Convention of Salesmen..... 251
Sales Contest 252
Awakening Interest Increases Energy..... 253
DEVELOPING CHARACTER AND PERSONALITY..... 256
Success Depends upon Character..... 256
Self Confidence 259
Personal Magnetism 261

FOREWORD

SELLING THE CONTENTS OF THIS BOOK TO THE SALESMAN WHO IS CONSIDERING WHETHER HE WILL BE REPAID FOR THE EFFORT REQUIRED TO MASTER IT.

This book is intended for the person who is convinced that salesmanship is an honorable profession, rendering an important and difficult service. It is for those who have awakened to the fact that the salesman is not born ready made, with his powers fully developed.

The salesman must be made, in large part at least, by serious study. The efficient salesman must know the workings of, and have skill in influencing complicated and intangible mental processes, which determine the behaviour of men. It takes persistent hard work to gain an understanding of the factors and processes which determine the actions of men. The salesman's efficiency will vary directly with this understanding.

The scientific farmer, the teacher, the accountant, the lawyer, the engineer, the architect, the physician, the minister, and many others, have found it well worth their while to make a serious and careful preparation for the practice of their profession. The salesman will at last come to realize that intelli-

gent preparation for his work is quite as important, and will bring equally great reward.

The salesman can determine whether he is fully prepared for the practice of his profession by asking himself a few questions, and grading himself on his ability to answer them.

What is salesmanship? What does the approach aim to accomplish? What are the laws which govern the direction of attention to a thing, when it has once been secured? How is attention related to interest? What interests does the normal man have? Do you know to what interests your selling appeal should be directed? What is the relation between interest and desire? How would you undertake to arouse desire? When you have aroused desire, do you know how to carry it over into action? How can you tell when you have reached the "psychological moment" for attempting to close? How can a man think ahead and plan what he will say next, while his attention is adequately given to what he is saying? What are the best methods of learning, remembering, and thinking?

This book aims to give the salesman scientific knowledge which will enable him to answer satisfactorily the foregoing, and many other similar questions. Scientific knowledge is thorough and consistent. Methods guided by such knowledge are efficient in accomplishing the desired result. A scientific knowledge of mental processes enables the salesman to work intelligently and directly toward

the end he wishes to achieve, instead of resorting to the aimless and wasteful try, try again of the man whose knowledge is not equal to the demands of the situation.

The salesman ought not to be discouraged, or condemn this book, if he does not at once grasp the full significance or practical helpfulness of all it contains. Two or more thoughtful readings may be required to enable one to get the psychological point of view and master the method of the science. One has not mastered this discussion in a way that will make it of the greatest practical helpfulness until he understands clearly all the parts, and perceives their relations to each other and to the whole. He must learn to reassemble and to put to working harmoniously together the various processes that are here knocked down and taken apart for purposes of study.

The writer has tried long and earnestly to make this book elementary and practical. He is convinced that he could make it simpler only at the expense of making it more superficial. This would defeat the end aimed at in preparing it. The difficulty encountered in understanding and applying what is written here results mainly from the intangible nature of the subject matter and the lack of skill in exploring one's own mental processes. As one becomes skilled in the exploration of his own mind, the practical usefulness of the principles discussed here will become apparent.

INTRODUCTION

SALESMAN PERFORMS AN ECONOMIC FUNCTION

AS A FACTOR in the world of business the salesman is concerned with effecting a mutually advantageous exchange, in which money, or some other means of securing satisfaction, or some form of satisfaction, is received in return for the service, or serviceable thing sold. As the salesman performs an important business function, he should have some knowledge of business affairs.

The salesman must be master of his merchandise. He should have adequate knowledge of the materials, and mechanical and industrial processes employed in making the articles he sells. He must clearly perceive what the process of manufacture confers on the article, in giving to it qualities which make it have a commercial value superior to other things with which it may come into competition. It is generally recognized that it is important for the salesman to have knowledge of these things which may be called the material factors in salesmanship.

A man may be well informed in regard to the things previously mentioned and still be very poorly equipped in salesmanship. Additional factors which make for success, are knowledge of what to do in attempting to sell, and why it is done; also skill in

doing it. Skill may be developed best by practice in which one's efforts are guided by knowledge of the "what" and the "why." It is the purpose of this book to help to give a knowledge of the what to do, and why to do it.

PRACTICAL KNOWLEDGE AND SKILL

The art of selling may be acquired by blind imitation of other's methods of selling and by more or less haphazard methods of trial and error. The methods that fail are rejected and the methods that succeed are adopted, without knowing why they fail or succeed.

By this process one may gain considerable knowledge of what to do and may become skillful in doing it. But he will be able to apply this knowledge and skill only under the conditions in which he learned to apply them. They are not readily transferable and adaptable to a different situation.

Knowledge and skill acquired by the method of blind trial and error afford satisfactory guidance only in cases easily recognized as similar to those in which success has been achieved previously. One who has learned by this method will not be able to perceive the circumstances which alter cases. Even if he perceived them, he could adapt his knowledge and skill to the requirements of the altered circumstances, only by continuing the process of selecting the lucky hits from the misses.

Such a process of acquiring knowledge and skill

lacks the guiding light of intelligence. Even when one has gained practical success by this method he does not know why one attempt succeeded and the other failed.

One who has previously acquired the knowledge which enables him to understand the whys and wherefores of success will be able to go intelligently about the task of finding the right course of procedure under novel circumstances. If one has this kind of knowledge, when it occurs to him to try various lines of effort, he will be able to forecast more or less accurately the consequences of each line of action. He will thus be able to avoid much wasteful bungling.

The Theory of Salesmanship endeavors to bring into clear consciousness a knowledge of the *whats* and the *hows*, the *whys* and the *wherefores* of the art of selling. It aims to formulate general principles and to organize them into a system so that they will have the greatest practical usefulness in selling. It aims, not at a theory divorced from practice, but at a system of general principles which will furnish helpful guidance to the various practical activities of the salesman.

In this book the process of selling is carefully analyzed. A theory of salesmanship is developed so that the salesman can see the general principles which are to be applied in efficient selling. The salesman will master his art more quickly and will

become more expert in it by learning and applying these general principles.

The knowledge and skill which enable one to do a thing have a certain value. But unless one knows why he does the thing that way, he can not adapt his knowledge and skill to altered conditions which make it necessary to change the way of doing the thing. He can not adapt his knowledge and skill to doing other things.

One who knows why he does a thing in the way he does, and sees that the doing is a particular application of general principles, can do many other things which come under the same general principles. A knowledge of the general principles of selling makes one resourceful and adaptable.

The salesman who understands the general principles of salesmanship can instruct and direct others in selling. He has the sort of knowledge which helps the salesman to develop into a salesmanager.

SALESMANSHIP IS APPLIED PSYCHOLOGY

Why is it profitable for the salesman to study psychology? Salesmanship is an art. Though the salesman performs an economic function, the principles of his art are psychological. In the act of selling, the salesman deals directly with mental processes. Salesmanship is, essentially, applied general, individual, and social psychology.

Salesmanship is the ability to influence the mental processes of a person so that he will desire the serv-

ice, or the serviceable thing, offered to him and will perform the acts necessary to secure it. The art of selling involves applying to a special line of activity, under the conditions which govern there, the general principles which must be applied in any case in which one person seeks to influence the behaviour of another.

The art of salesmanship involves understanding of, and skill in influencing the mental processes which are the factors that determine the behaviour, or the actions, of the men with whom the salesman deals. The salesman must discover what interests of his prospective customers are concerned with what he intends to sell. What needs is it fitted to satisfy? What qualities of the thing to be sold fit it to satisfy these needs or interests?

The salesman must secure the attention of the man to whom he wishes to sell. By presenting suitable selling points, in the form of arguments or suggestions, the salesman must influence the mental processes of his customer so that he arouses a desire for the article and a conviction that the purchase should be made. He must not only see that the customer arrives at a favorable decision; he must also see that he definitely commits himself to the purchase.

Argument, suggestion, attention, interest, desire, conviction, and decision are mental processes. To clearly understand them one must study other

mental processes such as habit, memory, association, and thinking.

It must now be clear that in the act of selling the salesman is dealing directly with mental processes. The science which gives an understanding of mental processes is psychology. The salesman needs to know psychology in order that he may intelligently undertake to influence the mental processes and, through them, the actions of men. The master of the art of selling is the master of men. The salesman needs to know psychology as a means to the intelligent direction of his own life.

The general principles of the art of selling will be developed in Part I. This discussion will enable one to see what psychological processes are involved in selling, and how they are to be dealt with by the salesman. Parts II and III will give a clear understanding of the psychological processes with which the salesman has to deal. By means of illustrative examples, it will be made clear how a knowledge of these psychological processes will help to make one proficient in understanding and applying the general principles of salesmanship developed in Part I. It is obvious that much light should be thrown on Part I by reading it again, after Parts II and III have been mastered.

PART I

MAKING THE SALE

PREPARATION OF THE SALESMAN AND OF THE SELLING PLAN

This book aims to develop the general principles which underlie the art of selling. Special study is required to apply these principles in any special line of selling. Skill in the practice of the art must come from special study and carefully and intelligently directed practice.

The things one must do, in order to prepare to sell some particular thing, will vary considerably with the thing.

A detailed discussion of them would hardly be in order in a book which undertakes merely to develop and illustrate the practical application of psychological principles. It would be excluded on the ground that a work on general principles must not confine itself too closely to any particular line of selling. One who understands the principles should be able, by putting forth the necessary effort, to apply them to any special line.

PARTS OF THE SELLING PROCESS

In the complete selling process there is first of all the pre-approach. In the pre-approach one studies

the special needs and individual characteristics of his customer.

[In this discussion the term customer is used to denote the man to whom one is trying to sell. Strictly speaking, he may be no more than a prospective customer. Yet it is well to treat every man solicited as if he were a valued customer. The aim should not be merely to make a sale, but to make a customer. The sincere manifestation of this attitude has a suggestive force tending strongly toward making both the sale and the customer. The salesman, who has this attitude, will think of each man solicited as a customer. It will do no harm to call him so in our discussion.]

On the basis of the information gained, he formulates a proposition adapted to the customer's needs, and plans his approach and solicitation to close the circuit with the customer's interest. After this preparation has been made, the salesman undertakes the actual approach, in which he aims to secure attention to his proposition and an opportunity to present it.

If he is successful in his approach, he proceeds with the solicitation. During this solicitation he may display samples or make a demonstration of the article. The solicitation aims to stimulate desire for the article and to arouse an impulse to purchase it. As the salesman goes on with the solicitation he must dispose of any objections the customer may raise. He must skillfully diagnose the impression he is making on the customer's mind. He must feel

out the customer to see when he has reached the proper time to attempt to close. When the time is ripe, he must undertake to bring about the performance of the particular acts which the customer must perform in order to close the sale.

PRE-APPROACH

In selling a low-priced specialty, or article of general demand there may be little opportunity, or little need for the pre-approach.

The nature of the pre-approach may be made clear by the methods worked out for selling National Cash Registers. This pre-approach is divided into two processes, the investigation and the preparation.

The salesman is first instructed to make a note of things favorable to the success of the prospect's business. Among them are good goods, proper lighting, efficient clerks, desirable class of customers, etc.

The salesman should next investigate the method of doing business. He should find out the ways in which losses may occur. He may do this by observation, by conversation with the clerks, or even with the proprietor. To get the desired information from the proprietor it may be necessary to convince him of the importance of discussing his business with the salesman. In exceptional cases, by making a purchase, the salesman may secure information of much importance, which he could not get otherwise.

The investigation aims to give the salesman facts which will enable him to interest the merchant and show him why he can not afford to be without an up-to-date National Cash Register.

If the store is small, the preparation can be made

mentally, while the salesman is investigating. The investigation, the preparation, and the approach can all be made at the same visit.

If the store is large, the salesman should leave the store after his investigation and prepare a written analysis. For the largest stores this written analysis may be included in a written proposition. This proposition will give an explanation of the system proposed for installation, the location of the registers, etc.

The written analysis should list the good things found in the merchant's place of business. If the salesman unwittingly makes it appear to the merchant that he can see only bad things in the place and method of business, he puts the merchant in an antagonistic frame of mind. By recognizing and presenting the factors favorable to the success of the business, the salesman creates in the customer's mind an attitude which predisposes him to consider favorably the proposition presented to him.

The analysis should point out clearly how the system in use may be improved. It should show how the merchant lacks protection in the handling of his money, how he lacks sufficient information about his money, and why slow service exists.

The analysis should also give the cost of the proposed system. It may be well to compare the price with the cost of the system in use, or of some other system under consideration for adoption.

The written analysis, or proposition, may be used

in approaching the merchant to secure an appointment for a demonstration of the register. It should be thoroughly explained, and then turned over to the merchant and left with him.

The aim in the pre-approach is to enable the salesman to determine on a proposition, and formulate a plan of approach and solicitation. It enables him to present a proposition of such a sort, and in such a way, that the serviceability of what he proposes to sell will close the circuit with the customer's interest and needs. One can do this only as he understands the likes and dislikes of the customer, his point of view, his aims and ambitions, his financial resourses, the requirements of his business, etc.

With such information at his command, the salesman may make the aim of his appeal as definite as that of a rifleman shooting at a mark. Without such preparation the salesman must feel out the man he is soliciting by presenting more or less aimlessly a number of propositions and noting how they are received. His actions may be compared to a man shooting in the dark with a blunderbuss. With such a weapon it is more or less a matter of chance if any one of the missiles hits a vital point. When the projectile does strike the mark, it does not have much force, or penetration, or effectiveness.

The blunderbuss salesman reveals the fact that he is not master of his business. His random efforts make a bad impression which it is difficult to overcome.

Various firms employ persons other than sales-

men to make the investigation of the pre-approach. The New York Edison Company does so in planning to sell its service to displace that of private plants. A technically trained engineer makes a study of the plant to be displaced, as a basis for showing the advantage of using the central service. The data he gathers is then turned over to the salesman, who prepares it for use in the approach and solicitation. This plan is adopted because the engineer, as a result of his technical training, can do the investigating more efficiently than the salesman. The salesman can make better use of the engineer's data in the actual work of selling.

Some firms employ men, who work more cheaply than the expert salesman, to make the preliminary investigation, and locate prospects with whom it is desirable for the salesman to spend his time, and to furnish him with data to use in planning his proposition, approach, and appropriate solicitation. The problem as to whether the salesman, or some one else, is to make the pre-approach is a problem of marketing rather than of the psychology of salesmanship.

The pre-approach aims to adapt the general proposition to the needs and characteristics of the individual customer. It endeavors to gather data which will enable the salesman to formulate a proposition which will meet the real needs of the man to whom it is to be presented. It enables him to plan intelligently how to close the circuit with the customer's interests.

Sometimes an effort is made to prepare the man to be solicited, so that he will be favorably disposed toward the proposition of the salesman. Advertisements in periodicals, and papers, circulars, and letters can thus be used to pave the way for the approach and solicitation. The general principles of advertising and salesmanship must be employed in such an endeavor.

APPROACH AND SECURING ATTENTION

In his approach, the salesman aims to secure an opportunity to present his selling proposition to a prospective customer.

A correct approach means more than merely inducing a man to notice that you wish to sell him something. It involves getting him to lay aside other matters with which he may be occupied and to concentrate his thoughts on the proposition.

The approach is greatly facilitated by a prosperous appearance, attractive personality, pleasant voice, and courteous manners. What the salesman says and does should suggest that he has a forceful character, ability, assured and important position in the business world, geniality, humor, etc. His tactics should be based on a general understanding of human nature, and such knowledge of the customer as he could secure from others, or acquire by direct observation.

Every one is inclined to be inspired by a man who knows his proposition thoroughly, believes in it enthusiastically, and earnestly wishes others to know about it and to be benefited by it. If a salesman meets these requirements, he will have little difficulty in securing and holding the attention of men with whom it is worth while to spend his time.

Let us first consider the wrong way of going about it. Do not ask attention, as a favor, or say that you would like to secure attention for a little while. Never say "I wish to interest you in my proposition." Whenever the words "my proposition" are used they suggest that the salesman wishes to secure the attention for his own benefit. The salesman always should suggest that he is endeavoring to render a service to the customer. He will do this by manifesting a sincere belief in the serviceability of what he is endeavoring to sell.

Do not ask for attention. Attract it. Attention must not be attracted to the salesman, or by the salesman. Attention must be attracted to the selling proposition and by the selling proposition, if it is secured effectively. If the salesman can secure attention to a request for attention, he can secure attention to a statement or question about the proposition, aimed to arouse interest.

In dealing with business men, the salesman should never resort to cheap trickery indulged in by some canvassers, in order to gain admission to houses.

The introductory statement of the approach should be worked out as carefully as the heading of an advertisement. It performs a very similar function to that of the heading. It should make some statement about the proposition which will arouse interest in it and make it seem important enough to demand a thorough investigation. The best way to arouse interest in a proposition is to state definitely and clearly, but briefly, in what way the ac-

ceptance of the proposition will be of advantage to the customer. Awaken a foretaste of the satisfaction he will secure by making the purchase. Put the emphasis on the service the article will render. If necessary, support this with brief arguments or illustrations making clear the importance of the service. Show why he can not afford to refuse to investigate. Keep in your customer's mind what your proposition will contribute to the realization of his interests, if you can make your claims good. You can thus get him interested in seeing how and why the thing will do what you claim for it. A good approach will pass over naturally, and almost imperceptibly, into the solicitation.

If the salesman represents a business noted for the excellence of its products or merchandise, and for the efficiency of its selling force, he may attach some of this valuable prestige to himself, by bringing out clearly in introducing himself, that he is a representative of that business.

In his approach, a salesman of investment securities could well put emphasis on the large and certain dividends, the safety and convertibility of the investment, etc. The salesman of merchandise could dwell on the timeliness, style, quality, and price, which will make them sell rapidly and bring in large profit. The certainty of good business conditions in the near future will predispose a man to consider buying. When interest is aroused, the salesman should then present an article which he believes of-

fers a very attractive bargain, and proceed to make clear its attractive features.

If the conditions of selling are such that it is necessary to make an appointment to go with the man to some other place to see samples, or the demonstration of the article, it may be well for the salesman to be on hand at the appointed time to accompany him.

If a man meets the approach with the statement that he does not need the article, have ready an argument to show why he should reserve his decision until after he has investigated. If he says he is not interested, make it clear that you do not expect him to be interested until he appreciates the service the proposition will render him. The plea may be that he has no time to look into the matter. Remind him that the salesman's time is valuable to himself and his firm. The salesman could not afford to take time to talk to him unless he felt certain he had a proposition that would appeal to him as a business man.

If the customer is ill-natured, or in an antagonistic mood, make him forget it by talking about some subject he is interested in, outside your line of business. If you can not succeed in this arrange to call again.

Approach a man, if possible, when his energies are fresh, and his mind is free. If he is so occupied that he can not give you his full attention, make an appointment for a more favorable time.

The approach should arouse interest in the propo-

sition. If it fails to do this, the chance to sell is probably lost. Hence, the strongest and most attractive reason why the article should be bought, is not too good to use in the approach. The most successful fisherman is the one who uses the bait which attracts the fish most strongly, and displays it most temptingly. So the most successful salesman will be the one who, in his approach, presents the strongest selling points, in the most alluring way.

The reason why an article should be purchased, which may be used most effectively in the approach, as a means of attracting attention to the proposition and arousing interest in it, will generally have somewhat the form or substance of the general conclusion in regard to the desirability of the article, which the solicitation aims to establish.

Arousing interest merely means connecting the proposition with an already existing interest. The salesman can connect his proposition with an interest the customer already has, by showing him how it will contribute to the satisfaction of his need or desire, along the line of this interest. The salesman thus takes advantage of a tendency to desire already existing and stimulates and awakens it.

The following is quoted from the instructions given to the salesmen of a company operating a chain of cigar stores. It makes clear the spirit of courtesy every salesman should manifest toward those with whom he deals. The salesman who handles his customer tactfully does much to create good will for the store:

"Always—if there is no rush of trade—greet the customer when he comes in with a 'Good morning!' or 'Good evening!' or 'What can I do for you?'—or use any other polite phrase to welcome him.

"Call the customer by name, if you know it. A stranger should be asked to call again. 'I hope to see you again, sir,' and 'Don't forget us another time,' are good phrases to use. If you say the right thing the customer will surely think of you the next time he is in your neighborhood.

"After handing the customer his purchase and his change, say: 'Thank you, sir'; or, 'Much obliged'; or, 'Many thanks, Mr. So-and-So.' Two or three words of this kind must be said to let him know you appreciate the value of his patronage. Under our rules the customer who doesn't get thanked is cheated. Our customers go out saying: 'Nice chap, that!' "

"Get to know your customers by name. There is no need to ask a man what his name is, as though you were a police justice. You can say, after he makes his purchase: 'I'm glad to see you like that cigar, Mr. ——. Pardon me; but I know your face well and I'd like to know your name.' Then the next time he calls your 'Good morning, Mr. So-and-So!' will be a real welcome.

"Show everything you have in stock and suit your words to your actions. Give the critical customer a fair chance to make a choice without making him think you know better than he does.

"No matter what happens, unless forcibly at-

tacked never dispute with a customer. Let him talk as loud and as nastily as he likes. Keep your temper. Discuss the matter quietly. Swallow your anger. Cut out the rough stuff."

SOLICITATION

AIM OF THE SOLICITATION

To solicit means to seek earnestly with suggestions and arguments, with, or without, the assistance of a demonstration, to create a desire which will lead to the act of purchasing.

In the approach, the salesman has succeeded in attracting the attention of his customer to the proposition. He has made clear to the customer the service he proposes to render in satisfying his need or interest. He has aroused his interest by awakening in him a foretaste of the satisfaction to be secured by availing himself of the service.

The approach aims to create a desire for the service the thing will render. The solicitation aims to create desire for the thing, by creating the conviction or belief that it has qualities which make it a fit means of rendering the desired, satisfaction giving service.

The qualities which fit an object to render service are the characteristics, properties, or qualities, or features which give value to the object. What makes a thing serviceable we call, briefly, the value-giving qualities of the thing. They are the selling points of the thing.

The purpose of the demonstration, which will be discussed later, is to make clear why and how the

value-giving qualities fit the thing to render a desired service. These value-giving qualities are the talking points of the solicitation. They should be clearly and simply explained.

The talking points should be presented in the order most effective from the logical and emotional points of view. They should be so arranged that each leads naturally to the next. As far as the reasoning will permit, the points should be made in the order of increasing importance, so that the strongest will come last. If the points can not thus be arranged strictly in the order of a climax, each should be given prominence and emphasis according to its importance.

Talk quality first and then price. Quality includes all the properties, characteristics, or features which give the article commercial value. Quality, embraces all that makes the article desirable in material, construction, and design.

When a man has been convinced of the desirability of the article, he can be led to see that the satisfaction to be gained is commensurate with the expenditure involved, and that the price is therefore reasonable. Hence, price is a secondary consideration. It should not be mentioned until the demonstration of quality is complete enough to make it appear that the price is reasonable.

No matter how high the price may seem, the salesman should be ready to show that it is really low in comparison with the service the goods will give. It is, perhaps, hardly necessary to state that when

goods are being sold for resale, the service the purchaser is to derive, is not to be measured wholly by the margin of profit on each thing resold. The ease of selling made possible by an attractive appearance, or package, the qualities which tend to make a regular purchaser out of the casual buyer, and other things, add to serviceableness. Judged on the broad basis of serviceability an apparently high price may be lower than the smaller price of an inferior article.

If the price is asked before the salesman is ready to give it, he should say that he will come to that pretty soon. The price quoted will seem low, when the merit of the goods has been made clear.

The self-confidence of the salesman adds much to the effectiveness of the solicitation. He should appear confident of making the sale, but of course should avoid over-confidence, or presumptuousness.

The confidence which begets confidence in the customer, through suggestion, comes largely from an honest conviction that the sale will be of real service to the buyer, and from a consciousness of being fully prepared to grapple with the situation.

To avoid the embarrassment and fear of failure which destroys confidence, the salesman should have thoroughly mastered what he wishes to say and do in his solicitation. He can then concentrate his attention so completely on the things he is doing that there will be no place in his thoughts for paralyzing feelings of embarrassment, diffidence, doubt, or fear of failure.

It is folly to commit to memory a selling talk worked out by some one else, and to give it slavishly word for word. One is likely to give such a talk with much the effect of a little child saying his piece. A talk, so committed and used, is so stereotyped that it can not be adapted to the changing needs of the solicitation.

The selling talk, down to the smallest details of expression, should be carefully thought out in words. It may well be written out. Each argument used in making a point, or in meeting an objection, should be thoroughly mastered so that one will never be at a loss for what to say, or how to say it. To accomplish this do not depend on memorizing by rote.

Fix upon the germinal or central thought of each argument, from which you may think it out again, or redevelop it, when you wish to use it. This germinal thought, or central idea, will be the general topic of the selling point, or the answer to the objection. Express this general topic in the form of a suggestive phrase, or brief sentence, which will serve as a cue to recall the argument in detailed form when the circumstances are seen to demand its use. For example: this is the "prevents loss," or "reduces expenses" argument, or the answer to the "I want to look elsewhere" objection. If the carefully worked out details of the exposition, or argument, are thoroughly associated with the topic in the order in which they should be recalled, one will always have at his command, ready to use effectively, all that bears on the topic. When what is said

springs from such preparation, it comes with all the adaptability, spontaneity, and stimulating effectiveness of extempore speech.

When the various selling points have been carefully worked out and tagged with appropriate cues, the cues should be firmly associated in memory in the order in which they are to be used. Make the association links established between the various cues, in order to recall them, intelligible or logical, when possible.

The salesman should have the part his selling point is fitted to perform in making the sale firmly associated with its cue of recall. He will then be able to perceive when the situation developed in the solicitation makes it desirable to use a certain argument or exposition and can readily recall it. He should have mastered it so thoroughly that he can give it without much demand on his attention.

While making the point thus mastered, he can think ahead and plan to meet any unforeseen circumstances, which may make it necessary to change his tactics. When such circumstances are encountered, if one is properly prepared, he will recognize their significance. This recognition will bring into the margin of consciousness the cue of the argument he has worked out to meet this situation.

The situation unexpectedly encountered may be one not fully prepared for in advance. In that case he may find several thoughts starting to develop in the fringe of his consciousness. From these he can select the one which seems best adapted to meet the

situation. His many-sided preparation has given him resourcefulness.

STATING THE AIM IN TAKING UP A NEW POINT

The discussion of each new selling point taken up during the solicitation should begin with a statement of what is aimed at in developing the point. It is well to have in the customer's view from the first, the conclusion to be reached from the facts or value-giving qualities presented. A selling point may be regarded as a conclusion in regard to the value of a thing, to be established by reasoning from the value-giving qualities of the thing.

To prevent the customer's mind from wandering, the salesman should develop his subject in a natural and logical order, as rapidly as the full import of the points can be grasped. If the man's mind is not fully occupied in following the visual demonstration and verbal presentation, it may switch to some other line of thought. If the thoughts once get to running freely along some other line, the sale may be lost. At least some efforts have not been effective, and some of the work will have to be done over. Hence, to hold a man's attention, it is necessary to keep new aspects of the problem developing continually. During the solicitation the salesman should dominate the trend of his customer's thoughts.

The salesman should not permit himself to be drawn into conversation about irrelevant matters, while talking the sale. In such a discussion the effect of what has already been said will be lost. An

antagonistic attitude may also be aroused. Conversation about general topics should be had before or afterwards, if at all.

PUTTING THE MAIN POINTS IN WRITING

If a selling talk is long and complex, it may be well to write down each important selling point in plain view of the customer, and then proceed to develop it. The customer then sees at the start the point which is aimed at. The writing, in plain view, enables him to keep the general aim in mind and to more fully appreciate the bearing of what is said, as the solicitation proceeds.

With many customers the appeal through the eye is stronger than the appeal through the ear. The impression made through two senses is stronger than if made through either alone.

The attention is instinctively directed to movement or action. The observer experiences a strong curiosity to see what will be written. This impresses the writing clearly on the mind.

The points thus written down have a long time in which to impress themselves on the mind. They may be given additional emphasis by referring to them from time to time as the discussion proceeds. The written points will be convenient for making the final summary, when the time for closing is reached.

The customer feels different about a claim to serviceability when it is put down in "black and white". Such a claim can be verified. It must be fulfilled. It

commits the salesman to make good in a very definite way. Oral statements are frequently discounted considerably. A written statement can be taken to mean just what it says. Making a permanent record of a claim to serviceability is an evidence of sincerity and good will. The service afforded will be compared with the claims. The claims must be truthful.

The salesman who uses this device combines the simple, condensed form in which the advertisement sets forth the selling points of the article, with the adaptability and warmth of a personal appeal charged with enthusiasm. The salesman should study the principles of advertising in order to use this device successfully.

ADAPTING THE SOLICITATION TO THE CUSTOMER'S MIND

The customer can assimilate, or properly appreciate the bearing or significance of what is said in the selling talk, only by relating it to kindred knowledge he has gained through education and experience. The salesman must present his subject from the customer's point of view, and build on the foundation of knowledge already present in his mind. However, he must proceed to elaborate, enrich and transform this knowledge.

The genius of the salesman is manifested largely in the certainty and readiness with which he hits on the right interest and ideas in his customer's experience to use as an assimilating notion, or apperceptive mass, to which he can effectively connect, by rational links, the points he wishes to make. He must make clear the relations existing between the customer's interests, experience and knowledge and the new matter he presents, pertaining to the thing he is selling.

The salesman's ability to transmit to his customer his own conviction and enthusiasm, depends on his skill in building up in the latter a state of mind similar to his own. To accomplish this, the salesman depends upon exposition, argument, demonstration, and suggestion. The ideas which the salesman

presents tend to arouse in the customer's mind feelings similar to those which accompany them in his own mind. The enthusiasm and confidence manifested in the bearing, expression and talk of the salesman tend to arouse, through suggestion, a similar state in the mind of the man he is soliciting.

The salesman must not be contented with making mere general statements about his article. All such statements should be founded upon a broad basis of facts, or illustrative examples fitting in with the actual business experience and methods of the customer. A generalization is effective only when it is seen to be a conclusion drawn necessarily from an adequate foundation of facts. Such a generalization is full of significance and is dynamic.

EFFECTIVENESS CUMULATIVE

Thoughts, feelings, and volitions are controlled not merely by the idea in the focus of consciousness. All the elements in the dim background of consciousness, or that have been recently in consciousness, contribute their part in directing the mind's activities.

A well-developed solicitation sets to work a number of processes all directing their influence convergingly along one line, and all co-operating to bring about the desired act of closing. Each point made leaves behind it a trace of brain and mind activity, and a favorable emotional coloring. These persist as important factors determining largely the trend in the complex changing state of mind developing as a result of the selling talk.

Each point the salesman has made remains potent and effective while he is developing subsequent points. He thus builds up a constellation of marginal traces of previously made points, and of desire previously aroused. The effect of the appeal is cumulative. The persisting influence of the previous mental processes tends to fill the mind with a well-grounded belief that the purchase should be made. This influence also tends to prevent ideas of acting contrary to that belief from getting into the mind.

A properly worked-out selling talk can thus be

made cumulative in its effect. In a final skillfully arranged summary the salesman can stimulate to greater activity the persisting traces of previously made points, and direct their united force on the act of closing the sale.

In the act of closing, the customer's attention should be centered, not on the value-giving features, but on the act of closing. This will be developed more fully later on.

BRIEF SOLICITATION FIRST

In selling things which do not require a complicated demonstration or argument to make clear the service they offer it is well to make first a strong, but rather brief, presentation of the main selling points. Considerable material is held in reserve for future use, if the first attempt does not succeed. The first, determined, brief presentation may close the sale. In that case, to have used a longer talk might have lost it. At least, time and energy would have been wasted.

After making such a brief solicitation the salesman should sound his man to find whether he is ready to close. The methods of doing so will be discussed later. By thus feeling out the customer the salesman can find out what objections he will have to overcome. He will perceive along what line further appeal may be most effectively undertaken. He will discern whether he should aim to strengthen existing desire, or to awaken new desire, or whether

effort should be concentrated mainly on showing that the thing is best fitted to satisfy existing desire, or that now is the time to get it, or that the purchase will not involve too great a sacrifice of other interests.

RENEWAL OF THE SOLICITATION

If the salesman's first brief attempt is not successful, he should return again to the solicitation, profiting by the enlightenment gained. If he has written down the main points of his preliminary solicitation he should see that they are kept clearly in mind. As he brings into play material previously held in reserve, he should indicate its bearing on the main argument previously presented. He should finally summarize his argument in a form more condensed than his first brief presentation.

Price should not be mentioned until near the close of the solicitation, as the customer may center his attention on price when the salesman wishes to direct it to quality.

Incongruous, irrelevant, or frivolous matter should not be injected into the selling talk. A pause to let a point soak in should not be long enough to allow the customer's mind to get running along another line of thought. Tactics should not be changed too abruptly.

If the solicitation is interrupted at any point, continuity is likely to be lacking when the solicitation is begun again. When the solicitation is resumed,

the part gone over previously to the interruption should be reviewed briefly so that it will be present in mind in such form that the rest of the talk will connect with it properly.

TRUTH

To gain the greatest permanent success, a salesman should make it clear that his desire is to render such service to the purchaser that he will become a regular patron. The salesman selling to a merchant should know what style and quality of goods and what amount can be used most profitably by any particular customer and should give him the benefit of his knowledge. The seller should be fair, candid, and honest in his statements and honorable in his methods. He should guard carefully against making the impression that his chief concern is to make the sale, regardless of the interests of the purchaser.

A common practice among retail salesmen is to look closely for suggestions from the customer and to sell him whatever he may take a fancy to, even when he knows it would be better for him to buy another article. A better practice would be to give him honest and expert advice, so that his purchase would be permanently satisfactory. His good will and future patronage would thus be secured.

To illustrate this point, suppose a woman takes a fancy to goods that will fade in washing. If the salesman knows that a permanent color is required for the use to which she intends to put it, he should tell her that the color in question will fade. By so doing he may lose the sale. This would be better

than to have the purchaser feel that the store had sold her a gold brick, and mistrust it in the future. It is better to lose a sale than to lose a customer, or to create ill will.*

It is wise to appeal to the good judgment and intelligence of the purchaser. Such an appeal is pleasing to the one to whom it is made. Every one believes he is intelligent, and has good judgment. He is flattered when others see it and admit it. Such recognition and admission establish a relation of equality and confidence between salesman and purchaser. Frequently the customer will feel that the reason presented must be a good one, though he can not fully comprehend the significance of it.

*See the discussion of "Good Will" in the author's "Psychology for Business Efficiency."

DEMONSTRATION

What one sees in an object is determined largely by the interests dominant in his mind, and by his preconceptions, or misconceptions. Experiment has shown that one may fail to see very important and significant features in plain view. He may distort what is seen, or believe he has seen what is not there. He may fail badly to apprehend the correlations and significance of the qualities of which he becomes aware.

In order that a customer may get the right understanding of a thing, his observations should be guided and directed by the salesman. The salesman must see that he brings the right ideas to bear in interpreting the observations made. The demonstration aims to accomplish these things.

The demonstration appeals to the strong instinctive interest in observing what others are doing, and to the instinctive curiosity to know the significance of it. Seeing a thing done is much more interesting and full of meaning than hearing someone tell how it is done. Doing it one's self arouses still greater interest in it.

In selling many articles, the demonstration is a very important part of the solicitation. Its purpose is to make clear what value-giving qualities the thing has, and to show how and why they give it

value. It should be accompanied by a verbal exposition of the points of value in the thing and an explanation of the service they render. The solicitation supplements the demonstration with arguments and suggestions aimed to induce the customer to perform the acts necessary to secure the service.

The exposition aims to make one see the value-giving qualities of a thing, their functional interrelation, and how the customer's needs and interests are concerned with the service the thing is fitted to render.

In making the demonstration, one should not fall into the common error of assuming that because the customer's eye receives a retinal image of the thing, he therefore really sees how the qualities of the thing make it fitted to render service.

Seeing, in the sense in which the salesman wishes his customer to see the sample or article demonstrated, is a complex mental process. It involves a clear discrimination and a correct apprehension of the various value-giving qualities and their interrelations, and of the fitness of the thing as a whole to serve as a means of securing satisfaction. This can be accomplished only as the observations are properly guided or directed by the salesman. He must see that the right interest is aroused, and the right ideas are brought to bear in interpreting what is seen.

In making a demonstration, it is never safe to assume that any essential feature will be seen and

rightly understood, merely because it is plainly in view. Neither is it safe to assume that the significance of a thing will be present effectively in mind, merely because it must have been apprehended previously. Familiarity breeds indifference. All essential features, no matter how familiar they are, must be pointed out clearly in the demonstration. Their significance should be brought vividly into consciousness. Many things do not become at all clear until they are presented visually.

In demonstrating a cash register the salesman is not content with pointing out that the indicator shows the amount of each purchase. He makes clear how the indicator gives publicity to the amount, and how publicity enforces honesty. He dwells strongly on how the total sales check up with the amount shown on the recorder, and how this reveals dishonesty or error. He also brings out many other serviceable features in a similar way.

AROUSING IRRELEVANT IMPULSES TO ADD FORCE TO THE DESIRE FOR THE SERVICE OFFERED

The salesman sometimes strengthens the impulse to buy by arousing irrelevant impulses to re-enforce it. The practice is generally questionable, and often deserves strong condemnation.

In olden times the auctioneer began by offering his article at a high price, which he gradually lowered until the sale was made. A similar device is sometimes employed in window displays, in which an article is offered at a price which is to be lowered a certain amount each day until the thing is sold.

In modern times the auctioneer agrees to accept a low price if he can not succeed in his endeavor to get a better offer. The modern practice is more successful than the ancient one, because it affords the auctioneer an opportunity to arouse a spirit of rivalry. He starts competition. He awakens the fighting spirit. A man who is bidding in competition with others may often be induced to pay considerably more than he would offer at private sale. The fact that some one has offered a certain price tends to make others believe that it is worth more than that price. In this way the desire to buy is re-enforced with impulses which could not be aroused by a mere

setting forth of the value-giving qualities of the article.

A salesman working for an unknown insurance company had to spend so much time and effort explaining about his company that his efforts devoted to the sale of insurance had but little effect. He had to sell the company before he could sell insurance. When confidence and good will for a line already exist, they strongly predispose one to respond favorably to the solicitation. Whatever creates good will for the business re-enforces the solicitation. See "Good Will" in "Psychology of Advertising."

ILLEGITIMATE MEANS

Some salesmen endeavor to gain the good will of their customers by entertaining them at dinners, or shows, or ball games, etc. Such means may predispose some men to buy. However, they are irrelevant to the end in view and their use is more than questionable. It is but a short step from such persuaders to open bribery which, of course, puts the salesman beyond the pale.

Some salesmen come to rely on making concessions to the buyer, rather than on forceful solicitation in which the value-giving qualities of the article are presented effectively. By so doing, they reveal a great weakness, either in themselves, or in the line they are selling.

The possession of a large, powerful body suggests that the man has corresponding strength of character and ability. Such a person towers above his fellow-men. They tend to look up to him, literally and figuratively. He has prestige because of his size.

A big man loses much of his size prestige, if a little man with whom he is dealing is placed above him. Regardless of the relative size of the men, the salesman loses prestige in dealing with a customer, if he sits or stands so that the customer looks down upon him. If the salesman can not be seated so that his eyes will be above, or at least on a level with, his customer's, he should stand.

The salesman should not lounge or slouch. He should sit or stand in an erect and alert attitude.

The salesman must be able to meet the gaze of his customer frankly and unwaveringly. A shifting gaze and embarrassed attitude are manifestations of self-distrust and self-submission in the salesman. They are a confession of weakness.

The salesman's gaze, expression, and bearing should show self-assertion and self-reliance springing from reasonable confidence in himself and in his proposition. The salesman's manifested confidence, enthusiasm, and mastery of the situation, tend strongly, through suggestion, to arouse confidence,

enthusiasm, and self-subjection in the customer.

Selling is an important and serious business. The salesman should make his statements seriously and earnestly. His seriousness should not be grouchy or funereal. It should be good-humored and optimistic, but without the spirit of fun or levity.

The man who makes a serious statement and then giggles or laughs about it, destroys its effectiveness. Through suggestion he arouses an emotion in the mind of the customer which prevents him from taking the statement seriously and realizing its importance.

The salesman can get some hints for the effective presentation of his selling talk from manuals on public speaking and from teachers of the subject, and from studying good speakers to see what makes them effective.

Many factors contribute to effectiveness. Among them are clear perception of what one wishes to accomplish and an understanding of what ideas one should choose to accomplish it; the clear expression of these ideas in words and the arrangement of the words with due regard to logical sequence and emotional strength. Contributing to making these effective, are tone of voice, manner of speaking, gestures of head, hand, or body, expression of the face, attractive personality and the glow of honesty, earnestness, conviction, sympathy, confidence and enthusiasm manifesting itself by suggestion, in subtle ways, in the presentation of the selling talk.

The principles of argumentative exposition, of persuasion, and of rhetorical effectiveness, should be applied in arranging and presenting talking points. The persuasive presentation of the selling talk requires a personality and ability kindred to that of the successful orator or advocate. Knowing what to say and do is only half the battle. Half of its effectiveness depends on how it is said and done.

The salesman must secure conviction by well-reasoned proof, but he must not content himself with an unemotional assent to a chain of reasoning. He must arouse the feeling which will lead to action. The persuasiveness of his talk, as indicated before, will depend on what he says, on the logical and rhetorical effectiveness with which he says it, and on his personality and manner of delivery.

The salesman's argument is in the center of consciousness, but all the other factors previously mentioned help to build up around it, by suggestion, a fringe of emotional and impulsive elements which add greatly to its effectiveness, and prevent the occurrence of opposing ideas. Two salesmen may make pleas equally conclusive as far as their logical character is concerned. One may meet with mere intellectual assent. The other, through his emotional appeal, may arouse to decisive action. Hence, logical adequacy of subject matter must be supplemented by the other factors contributing to effectiveness.

We are not advocating overloaded attempts at fine

speaking. Buncombe, or frothy eloquence, will not fill the bill. What is needed is simple, straightforward talk, clearly expressed, and supercharged with the feeling which comes from the sincere and strong conviction of the salesman.

Business men are not carried away by mere plausibility. Build clearly the foundation of facts from which you wish your customer to draw his inferences. It is not sufficient to present good points. The solicitation must close the circuit of what is said with the interest already existing in the customer's mind. The proposition must be connected vitally and naturally with the experience and aims of the customer.

Secure emphasis by approaching the thing from a different viewpoint, and by expressing it differently, as well as by using strong words, or by repetition in the same words, or by emphatic delivery.

Strong speaking does not require big words. Big, strong ideas expressed in simple words and easily understood sentences are what is needed. Over 2000 years ago Tiberius Gracchus said: "The wild animals of Italy have their dens and lairs. The men who have fought for Italy have air and light, nothing more. They are called masters of the world, though they have not a clod of earth they can call their own." Men who can conceive and express strong appeals to interest in simple form like that do most to move the world. They move the world

because they make a direct and easily comprehended appeal to the universal interests which grip the hearts of men.

Of course, when one is talking about a scientific subject to men of expert knowledge, he must use technical terms. Ordinary words are generally too vague, indefinite and ill defined in meaning, to meet the demands of exact explanation under such circumstances. Big words which express big ideas are all right in their place. Men versed in science are repelled by an attempt to express its ideas in the loose and poorly defined words of ordinary speech. Each new idea in science demands that a new technical term be coined for it, or that an old term be used in a new and definitely defined meaning.

Spencer sought to establish that "Evolution is the transition from an incoherent, indeterminate homogeneity to a coherent determinate heterogeneity, through a process of differentiation and integration." Some men have held this definition up to ridicule on account of its technical difficulties. But it set forth Spencer's idea in a form which was highly satisfactory to the class of readers to which it was addressed. Hence, it was used with appropriateness and good effect.

One should use technical terms when he wishes to sell scientific apparatus, or complicated machines to technically trained men. One should not hesitate to use scientific terms when addressing men well in-

formed on the subject. One should not be repelled by technical terms or treatment when he is trying to master the exact knowledge of a technical subject, such as psychology. Such a subject can be adequately presented only by using such terms.

The salesman should not present his selling talk in the form of a challenge for a debate. He should not argue with his prospect, or flatly contradict him. Avoid destroying confidence by too strong statements or by running down a competitor.

DIAGNOSIS

When a salesman is presenting a business proposition to a man, he tries to understand his thoughts, feelings, mental attitudes, and prejudices. He endeavors to estimate their influence as factors in determining whether the proposition will be accepted. He tries to diagnose the mental state of the man.

There is no science which will enable a salesman to predict how any particular man will think, feel, and act in regard to his proposition. Acquaintance with the individual, alone, will give that power. The minds of all men work according to the same laws. The salesman is interested in getting men to do certain things by influencing their minds. Through knowledge of psychological laws he will gain insight into their minds and skill in convincing and persuading them.

A knowledge of psychological laws will assist the salesman, as he proceeds, to estimate the effect his course is having. Such knowledge will help him to steer clear of obstacles, and to tell when he has worked his man up to such a point that he is warranted in pushing the matter to a definite conclusion. Knowledge of psychology, alone, will not enable a man to do this; such knowledge must be supplemented by a thorough understanding of many types of individual character.

Insight into the minds of men may be increased by studying sociology, political economy, political science, history, literature, etc., or by anything that increases one's general knowledge and culture. But skill in reading character and in correctly apprehending a customer's state of mind must come largely through a wide acquaintance and intimate association with men of all classes. One learns to deal with men through actual experience in dealing with them. A knowledge of the laws to which mental processes conform enables one to profit more by this experience. It enables him to perceive the significance of what he sees.

If one has the right sort of natural ability, a knowledge of psychological principles supplemented by wide experience with men, clarified through painstaking effort to rightly profit by it, may develop in him a judgment so accurate and prompt in sizing men up that it may be said to be intuitive. What is known by intuition is perceived directly and with certainty, without the necessity of going through long or complicated processes of thought. Such intuitive judgment is based on certain things actually observed in the expression, bearing, acts, or conversation of the person to whom it applies. We may not be able to tell clearly on what such judgment is based. Such is often the case when we say to ourselves, in regard to a man we have just met for the first time, this man is honest, selfish, or generous. Generally we would be very much at a

loss if we attempted to justify to ourselves, or to others, such judgments in which we confidently believe.

When we thus say we like, or dislike, or suspect, or trust a person on first sight, or say that we believe he is stingy, or generous, or honest, or dishonest, or conceited, or stubborn, or what not, our judgment may be based on some undefined characteristic, observed, but not clearly discriminated, from the other elements of the general impression. We vaguely recognize a characteristic which has been an element in some personality which experience has shown to have the traits we attribue to the person now under consideration.

Just as doubt or conviction in your own mind will manifest itself in modifying your action, so will duplicity, knavery, uncertainty, desire, conviction, etc., manifest or express themselves unconsciously in the attitude, acts, countenance, or tone of voice of the person in whom they are found. Such expressions are the things on which our so-called intuitive judgments are based. Instinctive capacity and capability developed by experience are both factors which contribute to this ability.

Such judgment, based on what is observed in the ordinary ways of expression, must not be confused with telepathy, mind reading, or thought transference as it is variously called. It is generally agreed among psychologists that telepathic communication is an established fact. It is also agreed that it is so

rare and undependable in its manifestations that it offers no help to the salesman.

It is not difficult to understand the parts of psychology with which the salesman is most concerned, the difficulty comes in making the principles practically helpful. When what has passed through the mind is reviewed it may be seen that the activities have conformed to psychological principles. We can generally say why any particular state has followed the previous state. Psychological hindsight is comparatively clear and certain, but psychological foresight is far less easy. For example, what is present in a man's mind will be followed by some idea previously associated with it, or resembling it; but this does not enable one to tell what particular associative connection or resemblance will prove effective in suggesting the idea which is to follow. Psychology gives the laws in accordance with which ideas, feelings and volitions occur in the mind, but does not enable one to foretell with certainty what particular mental states will occur.

Psychology teaches the "how" of the mind's working. It enables the salesman to do, with more or less certainty and assurance, what he would otherwise undertake blindly. Experience, guided by a knowledge of how the mind works and by an understanding of the principles of salesmanship, enables the salesman to undertake intelligently the task of starting with a given content in the mind of the customer, and influencing his thoughts and feelings

in such a way that he is ready to close the deal.

The psychologist's attitude is abstract and analytical: the salesman's is concrete and practical. In a sense, the attitudes conflict and it is rather difficult to combine them successfully in one mind. Psychology is a science, salesmanship is an art. The relation of psychology to salesmanship is much closer, but it resembles somewhat the relation of biology and chemistry to medicine. It takes acumen, ingenuity, and practical ability to make original, successful applications of such fundamental sciences to the development of the art. But after the applications have once been made, many who could not have made them, may profit greatly by applying them in their practice.

Successful salesmanship will conform to the laws of psychology, whether the salesman has learned them from the study of the science at first hand, or from studying the applications of psychological principles made by others, or whether his observation and experience have brought him to conform to these laws without definitely formulating them. A knowledge of psychology should prove helpful in developing the best methods of salesmanship.

Since understanding the man as an individual is very important, the salesman will often secure helpful knowledge by trying before soliciting him, to find out in the pre-approach, something about his methods of doing business, his strong and weak points, and even his interests, outside his business

lines. Frequently it will be impossible to get any helpful knowledge of this sort. The salesman must then depend on carefully observing the man while making his approach, and while soliciting him. Perhaps, if the man is not too pressed for time, he can engage him in conversation for a few moments, and feel him out in a general way before he gets down to business. He can thus combine the pre-approach with the approach.

The man to whom the selling appeal is made is generally on the defensive and tries to keep the salesman from perceiving what he really thinks and feels about the proposition. Since the salesman's efficiency will increase as his insight into the contents and workings of men's minds increases, he should avail himself of every resource that will be of assistance in penetrating this defense and discerning what is really taking place in the man's mind. He must not merely understand the laws in accordance with which the minds of men work, he must be able to comprehend the ideas, notions, interests, prejudices, likes, dislikes, beliefs and impulses of the customer as they manifest themselves in his mind during the solicitation. He must discern his customer's wants, what he knows, and does not know about the thing offered for sale, and how he can be most effectively influenced. Such are the things which will determine how the customer responds to what the salesman says and does.

The salesman must size up his man early in the

game and see clearly, and be guided by, the effect he is making. As the solicitation proceeds he must judge of the progress he is making by noticing carefully what the customer says, and does not say, his tone of voice, the expression of his eyes, and countenance, and his actions. Of course, the salesman can not be guided by what the customer says, unless he allows, or even encourages him to talk. Success in interpreting these manifestations depends not merely upon familiarity with psychological laws, but upon tact, intuition, insight, and ability to read individual character coming from a wide acquaintance and experience with men.

Ingenuity and resourcefulness, a forceful and pleasing personality, wise aggressiveness, and ability to inspire confidence in one's self and in what one is selling are essential to great success. The salesman should be a complete master of his line, not only in all its details, but in its general bearings as an economic force and in its relations to other affairs. When he is thus equipped and has the ability to diagnose the effect he is producing, he can select talking points adapted to the man with whom he is dealing, arrange them effectively and present them with telling force.

While proceeding with his selling talk the salesman may often find out what effect he is making by asking appropriate questions worded so as to suggest assent to them. Such questions are "Have I made clear to you the great advantage of this

feature?" "You see, now, don't you, why there is such a great demand for this article?" "If the matter is properly presented to him, it doesn't take a man long to see that this offers a rare opportunity for profit, does it?" "Isn't this a reasonable conclusion?" Such questions tend to secure assent to the cogency of the reasoning and the validity of the conclusion. By noting the answers to questions and noticing carefully the expression and general attitude of the man the salesman can tell whether he remains doubtful, or is being convinced.

It is often advisable, as explained previously, to make a brief, condensed appeal at first. After this the salesman can feel out his customer to see how the appeal has influenced him. He can then adapt the rest of his solicitation to the state of the customer's mind revealed by this diagnosis.

The salesman should study men as he reads about them, plays with them, talks with them and does business with them. Such study should enable him to put himself, in imagination, in the other man's position, and thus to understand him to judge whether the customer is in a state of indecision or whether confidence has been established; when to confine himself to straightforward matter of fact business talk, or when to use subtle suggestion or finesse, when to follow, and when to lead or use strenuous methods.

On the whole, sufficient uniformity prevails, amid the great diversity of individual character, that cer-

tain methods will work well with nearly every customer. In most cases it will be wise to stick to "the one best way" until good reasons are seen for adopting an unsual course.

As the salesman is presenting his selling points in his solicitation the prospect endeavors, from time to time, to consider them in comparison with ideas bearing on the subject coming into his mind through association; but he will not be able to do this very deliberately, if the salesman is presenting his selling argument effectively.

As the salesman makes each point and asks the man for his assent, he invites him to deliberately weigh the reasons for and against and to decide on the basis of the strength of evidence. When the salesman has finished his main demonstration and presentation and undertakes to close, the man will endeavor to balance the reasons why he should purchase presented by the salesman, against the objections or reasons why he should not, which have occurred to him in the course of the solicitation. If the salesman has not already discovered what these objections are, he should bring them out by appropriate questions.

DEALING WITH OBJECTIONS

When a salesman has succeeded in arousing a desire for an article, he is often prevented from closing the sale by an objection present in the customer's mind. Such objections are technically known in psychology as inhibiting ideas. As long as such ideas of considerable importance are even lurking in the margin of a man's consciousness he will not close the sale. Hence, objections are important things for the salesman to consider.

The salesman should know in advance what objections are likely to arise in the mind of the prospect. The selling talk should be carefully worked out in advance to take the wind from the sails of opposition by anticipating and forestalling such objections as completely as possible. But, no matter how carefully the salesman has planned his selling talk, he will meet with opposition. To overcome this, he should have worked over very carefully in advance the answers to all objections that are likely to arise.

The objections will vary according to the nature of the article which is being sold, and its relation to the needs, interests, and desires of the buyer. Just as it is important for the salesman to select the value-giving features or qualities of what he is selling, and to determine to what interests of the pros-

pective buyer these qualities will afford a means of satisfaction, so it is equally important to find out what interests of the man are giving force to the ideas which serve as objections, and inhibit or keep him from buying.

Of course, the man may refuse to close merely because he is not yet convinced that the article offered is the best suited to satisfy the desire. He wishes to give further consideration to competing articles. The rivalry is simply between competing ways of accomplishing the same thing.

The rivalry may be between competing lines of satisfaction for the same interest. For example, if he buys an automobile as a means of satisfying his desire for recreation, he can not take a contemplated trip to Europe as a means of satisfying the same desire. Or, it may be that the satisfaction of the desire is not believed to be a matter of sufficient importance to offset the loss of the satisfaction of the other interests which must be sacrificed if the purchase is made. A competing interest gives force to the objection. For example, if I buy an automobile, I can not satisfy my home-owning interest, or my interest in accumulating money and being free from debt, or my interest in enlarging the scope of my business.

After the first brief presentation of the article, while the salesman is feeling out the customer, to see if he has reached the psychological moment for closing, the customer will probably avail himself of

the opportunity to offer such objections as have occurred to him. If he does not do so, the objections may be brought out by appropriate questions. An objection so raised gives the salesman insight into the prospect's attitude toward the proposition and affords an opportunity to connect the selling argument vitally with his trend of thought and feeling.

The salesman should not appear annoyed because the objection has been raised. He may say that he is glad he is dealing with a man who wishes to consider every side of the proposition, for it is one which appeals strongly to such a man. Let him feel that the objection is natural from his point of view, but proceed to change his point of view. However, show him that your point of view is right rather than that his is wrong. Never enter into a debate with the man or flatly contradict him, as you may arouse his combative spirit and make him feel that it is a point of honor with him not to yield.

In encouraging a man to argue, you bring into the focus of consciousness, ideas which suggest courses of action contrary to the one you wish to bring about. You start a line of thought which will allow all the interests you have created to die out. You are encouraging a man to try to think of every possible argument to support his point, when you should be trying to make him forget them. If the objection is the result of a misapprehension, remove the misunderstanding from which it arose.

When an objection is raised, face it fairly and

squarely. Answer it then and there if you can do so convincingly. An attempt to evade an objection, or a failure to meet it fairly may cause such action to be regarded as an evidence of weakness in the proposition, or a proof of incompetency in the salesman. If you can not fully answer the objection, say that you see clearly the point that has been raised. A great deal of its apparent weight will be removed by a clearer insight into the proposition. What little real force it has, is so far overbalanced by the advantages of the proposition that the objection raised will be seen to be a factor of very little importance. Minimize the importance of such an objection as fully as possible, and then rely on an effective presentation of the advantages of the article.

If much attention has been given to the consideration of the objection, it may be well to recall the advantages previously presented before proceeding with the selling talk. Perhaps a point of advantage can next be brought up which will greatly offset any force which may still be felt as inhering in the objection. It could be introduced with the remark, "Here is a very decided advantage which will appeal to you strongly along the line we have been discussing."

If the objection has been raised prematurely and can not be answered at that point it may be best to say "I believe you will find that matter satisfactorily disposed of when I have finished," and then

proceed with the solicitation, meeting the objection at the proper time.

What shall we do with an objection which we suspect of being present, although it has not been expressed? Even if one feels certain what the unexpressed objection is, he should not try to dispose of it by direct attack unless he is sure he can completely demolish it with unanswerable arguments. An unexpressed objection is probably lurking in the margin of consciousness. An unsuccessful attempt to answer it would merely bring it into the center of consciousness and thus greatly strengthen its force. Rather than attack an unexpressed objection which he can only half meet, one should depend on making his proposition so attractive that the customer's attention will be centered wholly on it, and the objection thus neglected will pass entirely out of mind.

Never suggest an objection for the purpose of refuting it, thus hoping to make your case stronger. One who does so may be suspected of setting up a man of straw merely to show how easily he can knock him down, or worse than that, to be endeavoring to distract attention from some real weakness in the proposition.

If the man will admit that the proposition is one that will bring him financial profit, but objects that he can not afford it, show him the loss of profit which will result from delay. Make him see that the article will begin paying for itself as soon as it

is obtained. If you are selling him the satisfaction of some interest other than that of making money, impress on him strongly the satisfaction he will lose by postponing the purchase.

Suppose a man intends to buy, but that he does not close because he has made up his mind to investigate more fully, from fear that he may overlook a better bargain. Should one attack competitors, or try to show that their lines are inferior? An attack on a competitor or his line, might arouse suspicion that you feared to have the customer look around. This would increase his desire to do so. There is a motto which may throw light on the matter by approaching it from another point of view. It is "If your competitor talks about you put him on your pay roll. It doesn't matter what he says as long as he talks." When he talks unfavorably about you he suggests that your competition is affecting his business seriously. This suggests that one may do better by seeing such a competitor. People are likely to resent an attack which seems unprovoked and which is made under such circumstances that the one attacked has no opportunity to defend himself.

If you wish to explain the difference between your article and some other, you may say the competing article is inferior in appearance, usability, durability, etc., or you may say that your article excels in appearance, etc. The latter is better. Attract attention to the superior merits of your article

rather than the demerits of the other. When you meet competition, put your emphasis not on demolishing it, but on making clear the strength of your own claims.

If you attack the idea of looking elsewhere, you may merely bring it into the focus of consciousness and make it more effective in controlling action. It would be better to appear perfectly willing to have him make a thorough investigation. Express your confidence that no competitor can surpass your offering in real merit. Your bargain will appear more attractive after the other things are seen. It may be well to talk about something else for a little while. Then return to your article, paint it in attractive colors, make your enthusiasm about it and confidence in it so clear that you will inspire a like feeling in your customer. Make your proposition so attractive that it will fully occupy the focus of consciousness. Make the desire for it so strong that the inhibiting ideas will pass farther and farther into the margin of consciousness, until at last they fade from view and lose their force completely. You have then, in the terms of technical psychology, dissociated the idea of the act you wish to have performed from the idea of acting in a contrary line, which prevented or inhibited the performance of the desired act. Then is the time to make a suggestion directed toward closing the deal.

The most successful salesman is the one who presents his selling points or reason why, so skillfully,

so enthusiastically, so convincingly that the attention is so fully occupied with them, that reasons why not do not come to mind. A salesman who consciously or unconsciously suggests objections is greatly increasing the difficulty of making the sale. It is often easier to anticipate or avoid suggesting opposing ideas than it is to deal with them after they occur.

MAKING KNOWN THE PRICE

If you succeed in arousing desire, you will no doubt lead the customer to ask the price. If he thinks it is too large, be prepared to show him it is reasonable; considering the satisfaction, saving or profit which will come from the article.

If he asks the price before you are ready to tell it, tell him you wish to make clear to him what it will do for him before you tell him what it will cost. Say you wish to make his understanding of the proposition so clear that he will be able to pass a correct judgment on the reasonableness of the price. If the customer is told the price prematurely he will be thinking about price when he should be thinking about quality.

FEELING OUT AND CLOSING

The fiat, or decision, or act of will performed by the customer in closing the sale consists in consciously dismissing or disregarding all ideas tending to oppose the deal, and in decisively accepting the proposition and giving the attention freely and fully to the performance of the act necessary to closing. Closing is cutting attention loose from opposing lines of action and centering it on the act of purchasing.

If the suggestive force of the solicitation has been strong, even if opposing ideas prevent the full performance of the act of closing, the act is at least incipiently performed. That is, faint tendencies to perform the act are manifested in the appropriate organs. These tendencies will at once pass out into the complete performance of the act, if the customer can be led to turn decisively away from further consideration of opposing ideas. The natural impulsive power of the idea of the action then becomes fully effective in bringing about the performance of the action.

To get the customer into a state of mind in which he is ready for closing, the salesman must keep his attention centered on the attractiveness of the bargain he offers, not on his own desire to sell. Every point he has scored in his solicitation,

whether in creating confidence in the integrity of his firm, in the desirability of the service it has to offer, in his own knowledge, honesty, and judgment; or in making clear the quality, style, value, or other desirable features of what he has to offer, each point, if properly made, will have suggestive force persisting and converging toward the act of closing.

The sale may be lost by talking too long, as the salesman may thus suggest some idea which may again arouse a state of indecision in the mind of the customer who has practically decided to buy. The salesman must judge from the words, attitude, manner, and expression of the man, when it is best to endeavor to close.

The so-called psychological moment for closing is when the customer has become interested and convinced and feels a desire and impulse to purchase, then the time is ripe to make the attempt to close. To bring about this state of mind, the salesman, toward the close of his solicitation, should hold the attention of his customer centered on the most attractive features of his proposition, by enthusiastically presenting his strongest selling points in brief review, or summary form.

To determine whether the time is ripe to make an effort to close, the salesman must employ what we have called feeling-out suggestions. He may thus sound his customer by making a suggestion to action which, if carried out, implies willingness to make the purchase. Generally the suggestion is made by

asking a question of such form that the customer shows willingness to close if he gives the suggested answer. Examples of feeling-out questions will be given later.

The suggestion that the customer definitely commit himself, gets its effectiveness, not through the force or persistency with which it is made, but as a result of the proposition commanding the interest and attention and arousing the desire so fully that it excludes all thoughts or tendencies to act in a contrary line. To prefer the proposition is to attend to it to the exclusion of other lines of action. To make the act of choice is to cut loose from opposing ideas and center the attention wholly on the thing chosen. When the attention thus centers itself on the act of purchasing, the recognition of the desirability of making the purchase becomes the fiat of the will that the thing be purchased. The customer then says the decisive word, writes his check, or signs his name, or does whatever else is required to close the deal.

When this stage in the solicitation has been reached the salesman should not ask "You don't want to buy this, do you?" or even "Will you buy this?" He should act as if he were reasonably certain he would do so. His tone of voice, words, manner of expression, and actions should all show that he is confident of making the sale. He should make his question serve as a suggestion that he buy. "This looks like a good proposition. How many will

you need?" The salesman can handle the goods he is displaying, or his order book in such a way that he will make clear his belief that the sale is as good as made. But great tact is required not to offend the customer. It is only a short step from the attitude of the salesman confident for good and sufficient reasons, to that of the conceited and presumptuous fool.

If the salesman feels that the man is about to turn him down, he should lead him to talk about some unrelated matter he is interested in, such as baseball, the theater, church, or politics. When he feels that he has got him in a favorable state of mind, he should again present his subject with renewed enthusiasm and see if he can not carry the man along with him.

In feeling out a customer to find out whether the time is ripe to attempt to close, the salesman should ask him questions which will reveal the state of his desire in such form that the answer suggested would commit him to making the purchase. These questions should be framed so that they can not be answered by yes or no. Such questions are, "Which style, or finish, or model do you prefer?" "How much do you think you can use?" "How soon would you want it?" The insurance solicitor can say "When will it be most convenient for you to take the examination?"

The customer may ask from the salesman questions which would bring from him answers he

should get from the customer. The situation may be handled in this way: If he asks the salesman which style or model he prefers, he can say "That is a matter of individual tastes and needs. Which do you think would best satisfy your needs?"

If the customer makes a selection, put it down at once. After you have closed the deal you can return to this point and rectify the mistake, if you think one has been made. Or you can rectify it then and there, but after it is down. Of course, the salesman should give the buyer the benefit of his wider experience and greater knowledge of the thing he is selling, and sell him what is best adapted to meet his needs, not what he may wrongly have taken a fancy to, through a mistake in judgment.

If the customer asks how soon he can get it, ask him how soon he will want it. If he says right away, say "All right, we'll wire the order right in and have it sent immediately by express." If he asks what terms he can secure, ask him what terms he would like. When he has indicated his preference, as to style, quantity, date of delivery, etc., put them down and say, "All right, sign right here, so that there can be no mistake about the details, and we'll have it here promptly."

In closing an insurance solicitation the following procedure might be followed: The agent could secure assent to his proposition by some such statement as the following, summarizing the main points

of the appeal: "Mr. Blank, I am sure you will agree with me that every man ought to secure himself against business failure and provide for a comfortable old age. He ought to take every precaution to see that his family will be protected against hardship after his death. I have shown you an absolutely safe and sure means of accomplishing these things. I believe you see that the $5000.00 endowment policy I have explained to you will meet your demands satisfactorily. Your signature on this application (as he presents the blank and a pen for his signature) will insure this protection for yourself and your family. Be sure to write your middle name in full." The presentation of the blank and pen, and the remark about the middle name, center the attention on the act of closing. They suggest strongly that the act be performed.

If the man hesitates to sign, the agent should again summarize his main points, presenting them in his strongest way, and show him he is urging him to take a step in line with his dearest and most important interests. He should show that any sacrifice he may be called upon to make in buying this protection is so small that it may be disregarded in comparison with the satisfaction of knowing that his business is safeguarded, comfort is provided for old age, and those he holds dearest are protected against hardship.

In attempting to secure the signature the agent should place the order which he has made out as the

points were agreed on, in a convenient position for signing, should indicate the place for the signature and offer the pen to the man as he says "Sign right here, please." If the man hesitates the agent should add, while still holding the pen and blank in such a way as to suggest signing, "We'll have it here on time and you will be even better pleased with it than you anticipate. You will look a long while before you find a better bargain than this." Of course, it is hardly necessary to say that the remarks given above can not be comitted mechanically and used in every case. We are trying by means of illustrations to suggest general principles which may be applied in ways adapted to varying circumstances.

The request for the signature must be made very tactfully to avoid giving offense. The customer will naturally resent very strongly anything that suggests that his word is not as good as his bond.

To avoid such an implication, as he places conveniently before the customer the order he has filled out and offers him the pen the salesman can say: "Please sign here to show that this order is correct," or "to O. K. it," or "to approve it," or "to authorize us to send it to you." On the order presented for signature the salesman should have written the "O. K." or "Approved," or "Authorized," so that the buyer can conveniently sign his name under it.

The retail clerk could attempt to close with his customer by asking "Which quality or pattern do

you prefer?" "How much do you need?" "Will you have it sent out?" He could lead on a hesitating customer by such remarks as "You won't find a better bargain or a more becoming style than this." etc.

In attempting to close, take for granted, but not in a presumptuous or conceited way, that you have made the sale. The answers to the questions you ask, or the responses to the suggestions you make will guide you in further efforts to close.

Sometimes it is necessary to attack directly and overcome a determination to delay the decision until some future time. The salesman must show that the decision should be made now. The customer has all the evidence clearly in mind. He feels its full force. He is in a better position to decide now than he will be later on, when some of the important features will no longer be clearly grasped.

You have made a careful examination of this proposition. You are convinced that this article is all, or more than is claimed for it. You are conscious of a strong desire to secure it. You believe that purchasing this article will further your best interests on the whole and in the long run. Why should you delay. Your vision of your true interests is clearer now than it will be later on. Now is the accepted time. This opportunity is open to you.

The successful man is the one who has the strength of will, the decisive character, and courage of conviction which lead him to reach out and grasp the opportunity for profit when it is offered. By

embracing this opportunity you will put yourself in a position to grasp other opportunities later on. In the past you have no doubt regretted that you did not inconvenience yourself a good deal to take advantage of opportunities offered, which your deliberate and better judgment told you would turn out well.

Your success has come from promptly taking up good things when they were offered. I am absolutely sure that this proposition is to your advantage --that it will do even more for you than I have claimed. My reason for insisting now is that I am more interested in your future success and good will, than in putting through this particular deal.

I would not be acting in accordance with the true interests and permanent prosperity of a valued customer if I did not urge you to grasp your opportunity when it is offered. Your interests are identical with my own interests and the interests of my firm. We wish you to build up your business so prosperously and to derive such satisfaction from selling our goods that you will be on the market for larger orders in the future.

Our future growth and prosperity is absolutely dependent on the increased business and profit of our customers. I am urging this matter on you so strongly because I know that here is offered to you a great opportunity, and I know that your acceptance of it will bring mutual and lasting satisfaction to both of us. Feeling as I do, I would be disloyal

to your interests and those of my firm, if I did not urge you with every resource at my command to embrace this golden opportunity for profit. I am sure you will follow your own best judgment and grasp this opportunity leading straight to great and lasting success.

I recommend that you try about this amount. You will dispose of it so readily that you will want more in a short time. Shall we make the order for this amount? Of course, when the words "this amount" is used above, the salesman must state the quantity, amount, style, or type of article he honestly believes the man can handle successfully. The talk should be adapted, all the way along, to the thing offered for sale.

If the man objects that the amount mentioned is too large, show him that the experience of other men similarly situated has been that if only this amount is ordered, it will be necessary to reorder in a short time. If an advertising campaign is being carried on to assist in selling the article, show him that it is bound to create a large demand. Suggest to him ways in which he can display, or advertise the article so as to dispose of it profitably, etc.

If he objects that it costs too much, make clear the difference between an expense, which brings in no return, and an investment which will increase profit or reduce expense. If you are selling the satisfaction of some interest other than that in wealth, show that the satisfaction he will derive from

the purchase will more than offset the sacrifice in purchasing it.

Suppose the man is satisfied with the line of goods, but will not close, though it seems probable that he will do so later on. The salesman could leave an order blank with him to use in sending in an order, though there was not great hope that he would use it without further solicitation. It will at least suggest strongly that he is desirous of getting the order and confident of securing it later on. The confidence as expressed may help hold him in line when he is approached by competitors.

The salesman can do something toward retaining the interest he has aroused, by asking him to remember that his goods have the quality which give satisfaction, and selling points which make them easy to sell. This is the line he will ultimately buy. Make it clear that you can give him pointers which will enable him to handle your line successfully. Get the advantages of dealing with you so firmly associated with the general line of goods that when he thinks of ordering in that line he will think of your line. Get his assurance that he will give you another chance before ordering.

AFTER CLOSING

When the sale has been closed, the best course for the salesman, as a general rule, is to let well enough alone.

In many cases the salesman's task is not ended when the sale is closed. Frequently the objections, or doubts, or inhibiting ideas which were lurking around unnoticed in the dim margin of consciousness, kept out of the center of consciousness by the effective solicitation of the salesman, will crowd triumphantly into the spotlight of consciousness as soon as the salesman has left. Fears and doubts and regrets will fill the purchaser's mind. Don't leave your customer in a doubtful, over-persuaded, or half-convinced state of mind, with a lurking fear of failure which will partially paralyze his efforts and make the transaction a bad one for him.

Leave the purchaser confident that he has made a good bargain. Give him suggestions as to how to make the most of it. His effectiveness in pushing your line will depend on his confidence in it. A hopeful outlook founded on a reasonable basis will make success practically certain. A few well-directed suggestions tending to start the customer's thoughts to working along the line of developing his proposition in the most effective way will help materially to keep the paralyzing devils of doubt from

getting a prominent place on the mental stage. The salesman can thus pave the way for the success of his customer and for future sales for himself.

Just as the physician can contribute materially to the recovery of his patients through suggestion, so the salesman can use suggestion to improve the business of the customer after the sale is made. He can impress on the man who has bought, the qualities which give the article commercial value and the best ways of presenting them in selling talk, in display and in advertising, and the best way to handle sales. He can give him advice as to condition of markets, amount of stock to carry, coming fashions, and how to meet competing lines, etc. Of course, this helpfulness need not be restricted to the line the salesman handles.

THE DEPARTURE

After the solicitation has been finished the salesman should not make further demands on the customer's time. He should make his departure promptly and as tactfully as he made his approach. It may be well to express confidence that the satisfaction to be gained from the purchase will measure up fully to the anticipations aroused by the selling talk.

The salesman should thank his customer cordially, whether he has made a sale, or not. He should make it clear that he desires to be informed at any time when he can be of service, and say good day.

He should carefully avoid making the impression that his interest in the customer ended when the solicitation closed. The prompt departure should seem to come, not from a hurry to get away, but from a desire not to waste a busy man's time.

GENERAL CONSIDERATIONS

The true salesman loves the game of selling. He studies its theory and strategy. As the runner warms up to the race, so his enthusiasm increases as the competition becomes stronger. He is a good sportsman when he loses.

A growing salesman studies his successes and failures to find out why and how he made them. A man is stronger after each defeat, if he takes the pains to learn the cause of his failure and avoids that cause in the future. He is ever on the lookout for suggestions which will increase his power and skill. He finds them in the course of daily business, in swapping experiences with other salesmen, in attending conventions and in reading books and periodicals.

The salesman should acquire the habit of concentrating all his energies on what he is doing. However he should not hustle and bustle and waste his energy with unnecessary strenuosity. Over tension and anxiety are more exhausting than work. Worry and nervousness are great enemies of efficiency.

Every one should maintain a healthy interest in some avocation so that he can turn to it for rest and recreation. Some form of athletics, the theatre, some branch of study, any one of many things will do, provided he can arouse a healthy interest and

forget business while engaging in it, and return to business later on refreshed and re-energized. One should eat rationally, secure plenty of sleep and exercise and see that he is fresh and vigorous when undertaking important tasks.

The salesman's usefulness to his firm is measured by his loyalty to it. He should regard its concerns as his own. He should not carry a side line which may lead him to neglect his employer's interests. If a man cannot be loyal to the firm which employs him and become thoroughly interested in his work, he should hunt another job. It will be best for both him and the firm in the end.

The salesman should have a broad and accurate fund of general knowledge, and be interested in the recreations and business pursuits of his customers so that he can talk interestingly on other subjects than shop. Ignorance revealed in any subject a well informed man should be up on, lessens esteem and destroys confidence. General knowledge and culture add to personal attractiveness and make not only a better salesman but a more useful citizen.

The salesman should ever try to excel his past performances. He should hold before himself a yearly, monthly, weekly and even daily amount or "quota" which he endeavors to attain or excel. He should keep himself keyed up to hard work. One rarely works up to the limit of his powers. He should cultivate the buoyant, persistent, resolute spirit which will not acknowledge rebuff or defeat, as long

as there is a chance for success. When defeat comes, he should think of it only long enough to grasp its lesson, and should then devote his thoughts and energies wholly to planning and gaining future success.

SALESMANSHIP AS A PROFESSION

A study of the general conditions, factors, and processes involved in producing and marketing serviceable things is an economic rather than a psychological study. However, there are many problems in this field that can be solved only by the application of psychological knowledge.

Salesmanship plays the part of central and prime importance in the processes involved in the exchange of services or serviceable things. The function of salesmanship is to bring about a mutually advantageous exchange of services, or of serviceable things.

In order that the part which salesmanship plays in marketing services may be ranked as a profession, the salesman must attain a mastery of a fund of practical skill and special knowledge. This knowledge embraces the mastery of a body of scientifically developed and sytsematically organized general principles which must be applied in the intelligent practice of the art of selling. In order that the work of the salesman may be accorded professional standing, the special fund of knowledge and of skill in dealing with practical affairs must be employed in such a way that the exchanges of services which are brought about will be mutually and fairly advantageous to all parties concerned.

In order that the work of the salesman may be

ranked as professional, he must have an understanding of the general and special problems of marketing commodities. Although a large part of this knowledge is economic, it may be well to take a brief glance at some of the more important features of the field. It may help the salesman to bear in mind that he should know and use more than is required merely to make a sale, if his vocation is to secure recognition as a profession.

PROBLEMS OF MARKETING COMMODITIES

A large problem can not be solved until it has been analyzed into its component parts. The general aim of business is to produce and exchange commodities fitted to satisfy the needs of men. To carry out this aim the needs must be clearly discerned and their importance for well-being must be appraised.

To realize its general aim, business must solve many difficult problems involved in the production and marketing of commodities. The solution of each problem in turn becomes a general aim which must be subdivided into many problems demanding solution. Each of these problems must also be looked upon as a combination of many problems. In discussing the process of thinking we have made clear the general method which must be followed in solving problems. We state here some of the problems marketing has to solve.

The salesman should understand the part his work plays in the complex processes of business. Business includes the industrial processes of producing goods fitted to satisfy needs, also finance, accounting, law, and marketing. The salesman performs a part of the work of marketing the service rendered by the business.

The general plan of marketing, or distribution, must be worked out by employing data gathered

from a careful study of some or all of the following factors, according to the nature of the commodity.

The market must be analyzed. What are the qualities of the commodity which fit it to promote well-being? Is it demanded by all, or by certain classes? Is the consumption of it continual, occasional, or seasonal? Does it serve a permanent interest, or an interest which has the nature of a fashion, or fad, or fancy?

There must be a survey of the field in which the market must be sought, to find, among other things: the present number of the consumers of the commodity, their per capita consumption, and the prospect of increasing either this consumption, or the number of consumers; the ratio of present consumption to unit area of territory, in various parts of the field.

The production and marketing of competitors should be studied to determine: their number, their combined and individual output, the distribution of their outputs, their best and worst markets, the accessibility of their markets, the channels through which their output is distributed, whether through jobbers, or direct to dealers or consumers, by salesmen, or by mail order, their advertising methods, etc., the location of dealers and jobbers in the territory; the possibility of increasing the number, etc.

The manufacturing methods of competitors, the merits and demerits, and prices of their commodities must be considered.

Those who have the direction of the marketing

should know, the financial resources and capacity of their own plant, the cost of raw materials, of manufacturing, of overhead expenses, and of selling, the amount of business possible to be secured, and the amount likely to be gotten, the amount of business likely to be secured in various districts of the market, estimated according to the area and accessibility of the districts.

The one in charge of the marketing should know the cost of production, the lowest price which can be accepted, the best price which can probably be obtained, the amount which any possible lowering of price would increase the consumption, and affect competition. When he has determined the price which should be asked to secure a fair return for service rendered, he should be able to estimate the probable sales and profit, as a basis of determining how much should be spent for selling and advertising. These estimates should be based upon what competitors are doing, the comparative desirability of commodities, and, if the business is new, the greater cost of selling resulting from the lack of good will.

The plan for marketing must be adjusted to the various conditions of territory and competition. It must take into account the capabilities and limitations of its own industrial and financial resources. A general plan of distribution should be formulated which is adapted to all the requirements revealed by the survey and analysis of the market.

The general plan of marketing should formulate

plans for advertising and selling. The advertising and selling plans should be properly co-ordinated with each other, and adapted to cultivating the market most profitably. An efficient shipping department should be organized.

In developing material to be used in the appeal of the salesman, and of the advertisements, the commodity should be studied to determine, whether it has distinctive features of serviceability, or whether it is difficult to distinguish from other similar things. The name, the package, and the trademark should be carefully scrutinized. They should be made attractive and distinctive, and should be protected as fully as possible.

The articles of competitors should be studied to get knowledge like the foregoing in regard to them. The strong and weak points in their appeals should be noticed, and how much they have influenced consumption. The efficiency of the advertising methods should be noticed, also the value placed on various media as evidenced by their use.

The stationery should be attractive. Follow-up methods and material should be carefully worked out.

The salesman should have a sound grasp of the fundamental principles of marketing. He should master the special marketing problems of his own line, as well as the theory and practice of selling. Specialization in selling narrows the view, unless it is accompanied with progress in general knowledge.

The narrow specialist in selling can not view the significance of his work in the right perspective. He can not readily adapt himself to the changes in conditions that are certain to come. He has small chance for promotion to a position of greater responsibility. Every salesman should have a knowledge of the broader problems of marketing, as well as a knowledge of the processes of selling, and skill in practicing the salesman's art.

The salesman should be thoroughly familiar with the plan adopted for marketing his commodity. He should understand the general advertising policy, and should keep in touch with the things done in carrying out that policy. He should carefully coordinate his efforts at selling with the advertising campaign, so that the salesmanship and the advertising will be mutually helpful. He should also see that the efforts of the local dealers are properly adjusted to profit by the work of the advertising department. He should be a competent adviser in regard to their methods of display, their local advertising, etc.

He must know the previous successes of the house in his territory, how much opportunity there is for growth, and where his efforts will be likely to bring the best results.

The salesman should know the terms of sale, the credit rating of those to whom he wishes to sell, and the normal requirements of their business in his line.

The salesman should keep the firm informed in

regard to the financial standing and business success of actual and prospective customers. He should be keenly alive to the amount and character of competition, its points of strength, and of weakness. He must know the style and quality of goods desired. He is ever alert to find how his own line may be better adapted to satisfy the needs of the consumers. The salesman must improve every opportunity to gather data which will be helpful to the manufacturing and marketing departments.

The foregoing should be taken as illustrative rather than literally prescriptive. It should be adapted to the particular conditions of the commodity. The aim has been to make clear that a man must be more than a narrow specialist in the art of selling, if he is to perform efficiently the duties of a salesman.

The aim of the business should be to render normal service to the consumer. The return secured should be only a fair exchange for service rendered. The salesman should be animated by the same ideal.

The salesman should be more than a mere expert in the art of selling. But general capacity and proficiency are not enough. He must understand the general principles of the processes of selling and have skill in practicing the art.

Psychological processes are the most important factors with which the salesman has to deal. The salesman must employ his own mental processes, so that he will be most efficient in influencing the mental processes of prospective purchasers, in such a

way that they will desire and buy. To do this, he should understand the mental processes of his own and the buyer's mind.

Practice guided, not by general principles, but by haphazard trial, may give a certain skill. One may, in this way, attain to a certain degree of success without being efficient.

An exhorbitant price is paid for skill acquired by this wasteful method. The skill so acquired is not adaptable to changing conditions, except by the same wasteful process of random trial and error and the selection of lucky hits.

The salesman must not merely understand the general principles of the selling appeal and the function of its various parts. He must acquire proficiency in practicing the art of selling.

The salesman must know many things about the particular commodity he is engaged in selling. He should know something of the materials and the process of manufacturing. He can then give the buyer an idea of the materials, and labor, and machinery required to make the commodity. He should thoroughly understand the serviceability of his goods. He should know the serviceability of his line in comparison with competing lines; the points of relative advantage and disadvantage, etc.

By this time, it should have been made clear to the salesman that, in practicing his art, he is dealing with psychological processes. Attention, interest, desire, suggestion, impulse to action, and many others, have been dealt with frequently in developing

the general theory of salesmanship. An attempt will now be made, in Parts II and III, to give a clearer understanding of these processes.

PART II

PROCESSES OF THINKING, FEELING, AND ACTING

BEHAVIOUR

Behaviour is purposive activity, or activity which aims at some desired end. Behaviour is intelligent, rather than merely impulsive, when it involves comparison of means available for the attainment of an end, and the selection of the means which the comparison shows to be best fitted for the attainment. Psychology deals with the constitution and processes of the mind as factors in behaviour.

DISTINCTION BETWEEN MENTAL AND PHYSICAL PROCESSES

Think about your brain! The brain is a material object. It can be weighed in ounces and measured in cubic inches. It fills a definite amount of space in the skull. Another material object can not be put in the space occupied by the brain without injuring and displacing it. When the skull is opened, the brain may be observed by a number of people at the same time. The brain is a manifestation of certain processes, known as vital and physical, the inner nature of which is clearly beyond our power of direct observation.

Now think about the thing which thinks about the brain. This is the mind, or the processes manifested in the consciousness of the thinker. Conscious processes do not fill space or have weight. The head is no fuller and one is no heavier when he is thinking of a ton of coal than when he is not thinking at all. The mind is not in the brain as the seed is in the pumpkin.

Objects of the material world may be observed by many. As far as our observation reveals, they are not conscious of their existence or of what is happening to them. Mental processes are conscious of being mental processes. In the lowest, or least developed, forms of living things the consciousness must be extremely vague and diffused. It probably takes the form of a feebly felt striving. In man, with whose mental processes we are here concerned, the mind not only thinks, feels and wills, but also knows that it does so. In man, conscious processes are self conscious. In self consciousness the ability to observe and classify and understand the function of conscious processes has been developed.

SUBJECTIVE AND OBJECTIVE REALMS

The things, of which we have experience, but which exist independently of our experience of them, are called objects of experience. They make up what is known as the objective world. Our conscious processes which experience the external objects, together with our experience of these objects

are said to be subjective. Our thought or idea of another person, or of a house, or other material object, is subjective, but the person or the house is objective.

METHOD OF GAINING PSYCHOLOGICAL KNOWLEDGE

The study of mental processes is carried on by introspection, which means looking within one's own mind. Every normal person can observe and describe, more or less satisfactorily, what is going on in his own mind. He does so, for example, when he says he is puzzled, or was imagining, or thinking, or feeling pleased, or angry, or striving, etc. The introspection which the psychologist employs is similar to this universally practiced self observation. The psychologist merely takes more pains to make his observations clear, accurate, and complete.

Progress in the knowledge of the workings of one's own mind would be very slow, if one had to rely solely on the results of his own introspection. In psychological literature, one finds accumulated the knowledge gained by the efforts of the best observers and thinkers of countless generations of men. Psychologists have gathered the general conclusions from this wide range of observation and experience, and have arranged and classified them and tested their truthfulness by applying them to experience to see whether they would work satisfactorily in giving us guidance in dealing with experience.

Reading, alone, will not make a good psychologist,

any more than it will a good physician. A book can only serve as a guide in pointing out what to look for, where to find it, and what its significance is. If one is to acquire useful psychological knowledge, he must become interested in, and skillful in observing what goes on in his own mind.

One has not mastered the general principles developed in this book well enough to make them helpful in the practice of salesmanship, until he can illustrate them with elements of his own experience, other than those given in this book. One has not mastered a thing until he can apply it successfully. Attempt at application is an efficient method of learning. One can thus tell whether he has grasped a thing. If one can not verify in his own experience the truthfulness of the general principles explained here and provide additional illustrations of them, he has not adequately grasped them.

EXPERIMENTAL PSYCHOLOGY

Certain mental processes have been studied experimentally. By using the apparatus and following the directions of the original experimenter, the processes can be reproduced as often as desired, under conditions which free them, to some extent, from confusing and distracting factors. In this way the conclusions of the experimenter may be studied by many different observers, and modified, or corrected, or verified as holding good for all minds. Experi-

ment, when it can be applied, merely aids, rather than takes the place of introspection.

KNOWLEDGE OF THE MINDS OF OTHER

Psychology assumes that the minds of all men work according to the same laws, and that conscious processes and behaviour are similarly correlated in all persons. That is, the same conscious processes are manifested by the same forms of expression and behaviour.

Also simliar forms of expression and behaviour may be assumed to have resulted from similar conscious processes.

We can not directly observe what is going on in the mind of another. The mental processes of another can only be inferred from what he says and the expression of his countenance, and the tone and manner of saying it, and from what he does and his manner of doing it. These things that are significant expressions of the mental processes of others, can be interpreted rightly only as one, as the result of accurate introspection, has a correct knowledge of the processes in his own mind which have the forms of expression he observes in others.

Not only thoughts, but also feelings and volitions are communicable. Through understanding the interplay of processes in his own mind one gains insight into the interplay of processes in the minds of others.

In saying that we know the minds of others only

by inference, we do not mean that we must clearly discriminate the significant expressive elements in the total impression we are receiving, and center attention on them, and make explicit inferences from them. Through wide experience, carefully digested, we learn to apprehend the subtle expressions of the feelings and emotions of those with whom we deal, without being able, in many cases, to tell just how we do it. We learn to apprehend the symbols of these as readily as we learn to apprehend the thoughts expressed by verbal symbols. Our attention is not directed to the symbol in either case.

The ability to understand the feeling and motives of others is largely instinctive. One who did not have at least an innate capacity along this line that could be readily developed in experience would not get along well with his fellows.

CLASSIFICATION OF CONSCIOUS PROCESSES

Psychology aims to describe and classify the various conscious processes as they are manifested in experience, and to make clear their correlations with behaviour. As one observes his conscious processes he will distinguish in them three aspects, known as thinking, feeling, and willing.

The processes of knowing about things are studied in psychology under the headings, sensation, perception, conception, association, memory, apperception, judgment, and reasoning.

In sensation and perception we get a knowledge of our own bodies and of the external world. We may distinguish a mere sensation of warmth, cold, light, color, sound, touch, taste, smell, pressure, muscular strain or motion, without referring it to any particular object. But when we are aware of a warm object, or moving object, or colored object, we are said to have a perception of the object. We can distinguish a sensation of red, but we have a perception of a red apple. In the perception of the apple, along with the actually experienced sensation of redness, we attribute to it various qualities as roundness, smoothness, weight, taste, edibility, etc., which, our previous experience has taught us, are possessed by apples.

We form concepts or general ways of thinking and behaving in regard to objects, we pass judgment on them, and enter into extensive trains of reasoning about them.

We not only have various processes of knowing about objects; we are also affected by them. That is they arouse feelings of pleasure or pain and various emotions. A cut or bruise causes a feeling of pain. When you are cold, a fire gives a feeling of pleasure. Other experiences may give rise to the more abiding emotions of joy, sadness, pity, sympathy, hate, love, jealousy, respect, anger, fear, remorse, happiness, etc. These emotions spring from more complex intellectual processes than do the feelings. They are also tinged with pleasure or pain.

The volitional processes are attention and volition. They will be studied more fully later on.

The processes of thinking, feeling, and willing, are merely distinguishable, but not separable, aspects of the one conscious experience. Thinking, feeling, and willing are manifested, with varying degrees of prominence, in every conscious process.

MIND AND BRAIN

Mental processes are accompanied by and depend upon brain activity. Increased mental activity involves a similar increase of brain activity. The increased brain activity requires more nourishment and produces more waste matters to be eliminated. Other organs of the body such as those of digestion, the kidneys, the liver and the lungs must work harder to supply the energy and eliminate the waste. A sound mind requires the services of a sound body.

Salesmanship makes heavy demands on both the mental and physical processes. The efficiency of the salesman will vary with the general condition of his body. He should be careful to take proper food, exercise, recreation, etc. Excessive exercise or severe manual labor impairs the efficiency of mental processes. Loss of sleep prevents proper nourishment and removal of waste matters. It causes a temporary loss of weight, with a corresponding decrease in the amount of energy available for work.

HABIT

When we first undertake to perform a new act which is complicated, or requires special skill, our efforts are hesitating. Awkward and groping movements that are bungling and ill suited to the purpose are mingled with those properly directed. We note

with satisfaction the well directed movements, and endeavor to repeat them and to check the others. With practice, the movements gradually become better co-ordinated, more accurate, and easier to perform.

Painstaking effort, faithfully persisted in, develops skill. Finally, the whole complicated process is running smoothly. It runs along, almost without conscious supervision, while attention is directed to other things. Through discriminating practice and repetition, complicated acts come at last practically to repeat themselves, although they at first required careful thought and effort to perform them with indifferent success. To all intents and purposes the acts have become automatic. Acts which have thus, through practice, come to be practically automatic, are called habits. Thus we have learned to walk, to eat, to talk, to read and write, to sing, or play, or run a typewriter, or do the countless other familiar routine acts with which our lives are so largely filled.

The explanation of habit formation is largely physiological, rather than psychological. However, some hold that habit involves some psychical modification, as well as physical. The tissues of the brain are plastic. Plasticity means that the brain cells are modified by, and permanently retain, the effects of the activity which takes place in them. Nervous impulses, or currents of nerve activity, are aroused in the organs of sensation such as the eye, ear, or hand. They go through the brain, and then pass out

through another set of nerves to control muscular activity. In so doing they leave an effect on the nerve cells, or a "path" that other impulses will tend to follow. By repetition, definite channels are developed, which currents of nerve activity habitually follow.

While these channels are being developed, conscious supervision, guidance, and effort are necessary in performing the acts. When the pathway of nervous discharge has been definitely established, the impulse follows it without guidance. The switches are set for the impulses in the nervous tissue to pass along the right tracks. The physiological organism has gained the ability to perform acts which originally required conscious supervision. It performs them more quickly, and more accurately and with less fatigue.

In forming habits, the brain has been moulded by practice. It has taken on stereotyped forms by means of which many of the routine acts of life may be economically performed. The lessons of experience are thus registered in habitual ways of thinking, feeling and acting about things. Familiar acts thus come practically to perform themselves, while the attention and intellect are left free to grapple with new problems and situations which arise. We thus see the importance of rendering habitual the routine acts of our daily life.

LAW OF ACQUIRING PROFICIENCY IN A NEW LINE

The movements, or procedure, involved in forming a new habit may be learned by the method of trial and error, or by imitation of others.

When the right procedure, or combination of movements, has been apprehended, the factors which make for success in forming the habit are:

1. Concentration of attention on the task.
2. Careful rehearsal, or repetition.
3. The avoidance of lapses into another procedure until the habit has been firmly established.

With the formation of the habit there develops a propensity to do the thing in the way being made habitual. The habitual way grows to be the pleasant way. A departure from it becomes unpleasant.

One should make a strong resolve to form the new habit. He should reinforce this by holding in mind the satisfactory consequences which will result from forming the new habit and the unsatisfactory consequences which will result from failure.

When a man takes up a new line of work, his general education and experience enable him to make rapid progress at first. Improvement is rapid at first, because the steps of progress are made largely by merely using old habits, and previously acquired skill and knowledge, and reorganizing them and adapting them to a new use. When these easy steps have been made, and when farther advance depends mainly on acquiring new knowledge and developing

new habits, progress becomes slow and difficult. The enthusiasm resulting from the novelty of the work fades away. For a time one seems to make no further advance in skill. He may even become less successful in the performance. He has reached what is known as a plateau in habit formation.

When a plateau of arrested progress or develpment has been reached, the faint hearted often become discouraged and quit. However, the knowledge that their experience is a normal one should give them resolution to keep on. When a plateau is reached, further progress depends mainly on the ability to hold one's self to the task by sheer force of will, until the new knowledge is assimilated, the new habits are formed, and the new skill is developed. Finally another stage of rapid progress will be entered upon, and may continue for some time, before another plateau is reached, and another stage of arrested progress must be worked through.

Our nervous tissues are plastic in youth, but become less easily moulded as we grow older. Under twenty is the time to fix right personal habits of eating, exercise, neatness in dress, well modulated speech, ease in intercourse with others, etc. Between twenty and thirty is the age best adapted to forming intellectual and professional habits.

To develop a new habit of this sort, start with determination and vigor to do the act. Improve every opportunity to practice it. Make no exception in favor of the old habit. One brief lapse into the old

way, will sweep away much that has been gained by long and painstaking efforts, and will greatly increase the chance of future lapses occurring. Banish the old habit from your mind by keeping your thoughts fixed on the new one, and on the satisfaction to be gained from forming it. Keeping the old habit in mind develops an impulse to perform it which it requires effort to resist.

Every one should realize early in life that he must work out his own fate. Whether he is a failure or success depends largely on the habits he forms.

We easily become slaves to bad habits, or to poorly formed habits. The hell hereafter is not more to be dreaded than the hell we can make for ourselves on earth by developing wrong habits.

Habit gets one into a rut. We grow to like habitual ways of doing things. Constant self-criticism, alone, will tell one whether his ruts are carrying out of the line of progress and of greatest efficiency.

One should endeavor to discover the most efficient ways of doing the routine matters of his business and to make them habitual as soon as possible. Attention can then be centered on the important problems clamoring daily for solution.

The discussion of habit will be continued under the topic, "Developing Character and Personality."

ASSOCIATION OF PROCESSES OF THINKING, FEELING AND ACTING

The effect that the solicitation of the salesman has on the customer, depends on the processes of thinking, feeling, and acting, aroused in the customer by the suggestions and arguments used. The form which these processes will take depends upon the habits and associations previously formed by the customer.

ASSOCIATION BY CONTIGUITY

To make clear what is meant by association by contiguity, think of the word "stock " for a few moments, and then notice what thought follows it in your mind. The word stock may suggest to you the goods in a store, the paper representing a financial interest in some corporation, the raw materials from which something is to be manufactured, or a part of a gun, or a thing to wear around your neck, or the stock from which a cook makes soup.

A merchant would be most likely to think of the goods in a store, a broker of the stock certificate, a farmer of the animals, a haberdasher of the thing to wear round your neck, a cook of the soup stock. This is explained by the fact that each man has formed a habit of going in thought from the one idea to the other. When such an habitual process has

been established between thoughts they are said to be associated by contiguity.

The law we are now considering is often called the law of association of ideas by contiguity. But in using the word idea, we should bear in mind that an idea is a process of thinking about a thing. Also that an idea may become associated with a feeling. For example, if one has become ill from eating an article of food which he has previously liked, the thought of eating the article thereafter may arouse in his mind a feeling of disgust, with its volitional tendency to avoid eating it. If a customer has been offended by a salesman, or even unjustly feels angry at him, or dislikes him for any reason whatever, the customer may thereafter feel ill will for the store which the salesman represents. On the other hand, a courteous efficient salesman, who is considerate of the real interests of the customer, will inspire a feeling of good will which will become associated with the thought of the business he represents.

The thought of the store is much more likely to revive the feeling of ill will or good will associated with it, than the presence of the feeling of ill will, or good will, in consciousness is likely to revive the thought of the store. We tend to pass more readily from the processes of thinking to the processes of feeling associated with them, than vice versa.

The following statement of the law of association by contiguity includes processes of feeling and willing as well as processes of thinking. If two pro-

cesses have been in consciousness together or in immediate succession the reappearance of one of them will tend to recall the other.

ASSOCIATION BY SIMILARITY

If one disregards the spelling of the word "stock" and centers his attention wholly on its sound, it may suggest the word "stalk" having a similar pronunciation but a different meaning. This illustrates association by similarity. The law is as follows. A process of thinking tends to suggest similar processes of thinking. A process of feeling does not in the same way suggest similar processes of feeling. The process of feeling rather tends to bring it about that the process of thinking, or ideas associated with it, will suggest other ideas which have a tendency to arouse a similar process of feeling. This point will be made clearer later on, in discussing emotional congruity as a factor in association.

If you think of the moon, some idea previously thought of in connection with the moon may come into mind in accordance with the principle of contiguity. You may thus think of "green cheese," or of something you did on a moonlight night, or of something you know about the moon.

If you focus your attention on the brightness of the moon, you may next think of the sun, or of a light, or of some other bright object. If you focus your attention on the spherical shape of the moon, you may next think of a ball, or some other object of

similar form. If you focus your attention on any aspect, quality, or characteristic of an object, the object may suggest any other object which has the same aspect, quality or characteristic, no matter how unlike the two objects may be in other respects.

Any object may suggest any other object which resembles it in any respect, provided the attention is focused on the quality in which the objects resemble each other. The similarity may be commonplace and evident, or far-fetched and fanciful, as in poetry. The similarity may be one of abstract relationship and difficult to perceive. A classical example of this is Newton's perception of the similarity in relations between an apple falling to the earth and the moon drawn continuously toward the earth, so that it moves around the earth, rather than passes off into space in a straight line; as it would do, if it were not attracted to the earth as the apple is. By assuming the force which holds the moon in its orbit to be the same as the force which causes the unsupported apple to fall toward the earth, Newton was able to demonstrate that the motions of all the bodies in the universe conformed to the law of gravitation. He proved the universality of the law of gravitation. The great inventor is the person who sees the similarity of relations which makes it possible to put a familiar contrivance, or process, to a new use.

The great poets and artists, and leaders in thought, the great inventors and captains of indus-

try, in short, the geniuses in every line, have minds unusually fertile in association by similarity. Fortunate is he who can see the resemblance of things!

An idea which a salesman presents in his solicitation may arouse in the mind of his customer, through association by contiguity, any idea which the customer has habitually thought of in connection with the presented idea. But other things being equal, the presented idea is more likely to suggest an idea which has been recently or vividly thought of in connection with it. Or the idea suggested by association may be similar to the idea presented, and will probably be in harmony with the existing emotional tone of the customer.

It is probable that the word stock, when previously thought of, revived the idea most firmly connected with it by habit. Now stock may suggest a neck piece, or soup, because the latter ideas have been recently in mind, and probably vividly so, since the association caught the attention because it seemed far-fetched.

If you were in a vindictive frame of mind the word stock might suggest the "stocks," a contrivance formerly used to punish criminals. To an unsuccessful or discouraged merchant, the word stock may suggest that he has too large a stock on hand already, and that he should reduce it rather than add to it. A successful and optimistic merchant tends to think of increasing his stock, as a means of increasing his profit. The trend of association is thus

determined by the emotional state. The idea brought to mind by association will tend to be in harmony with the prevailing emotion.

His emotional state is an important factor in determining the thoughts and actions of a man. The "bull" is in an optimistic attitude of mind in regard to future prices, while the "bear" is pessimistic.

The salesman must endeavor to arouse in his customer's mind a general emotional attitude favorable to the acceptance of his proposition. He should aim to create a feeling of confidence that business will be prosperous in the immediate future. A desire for profit aroused will tend to make one buy the thing offered as a means of increasing profits. A vivid fear of loss will make it easier to sell fire insurance, or a fire-proof repository for business records.

MEMORY AND THE ART OF RECOLLECTING

The law of habit, manifested in forming associative connections among mental processes explains the ability to revive, recollect, or recall processes previously experienced.

The memory and recall of mental processes depends upon the fact that during the experiencing of the processes the structure of the brain is modified. A permanent change takes place in the structure of the cells of the brain and in the arrangement of the connections between them. The brain thus retains a trace of the mental process after it has passed out of consciousness. The activity has established a course through which the nervous excitation will tend to pass more readily in the future. A stimulus is more likely to follow a previously established course than to open a new one.

The existence of such an inactive brain path is retention. When the brain path is again stimulated to activity it gives rise to, or revives, the mental process which accompanied its formation. The process is thus remembered and recalled.

In studying memory and the art of recollecting, it is convenient to use the familiar term "ideas." However, we should bear in mind that an idea is a *process* of thinking. A process of thinking is found only as a part of a conscious process which also in-

cludes feeling and volition. The conscious process always has these three distinguishable, but not separable, aspects or factors, of thinking, feeling and willing. But, in order to get a clear understanding, it is necessary to study one aspect or factor at a time, while others are disregarded. In studying memory, our attention is thus mainly directed to the process of thinking.

When we are dealing with the conditions which account for the retention and recall of ideas, we naturally ask how can one increase his ability to retain and recall the things he wishes to know?

Ideas may be remembered and recalled as a result of associatively linking them together by mechanically repeating what we wish to recollect. Will practice in this form of memorizing increase our ability to memorize? Many experiments have shown that the retentive capacity of our brain tissue can not be noticeably increased by any effort of ours; though it will vary with our freshness, fatigue, health and age. It is possible to make great improvement in one's ability to memorize, but other methods than mere mechanical repetition are required in order to achieve the result.

The ability to retain and recall ideas can be increased only by forming improved habits of memorizing. The habits which make for efficiency in memorizing are a habit of clear and adequate observation and thinking, and a habit of discriminating and appropriate association. Both these habits in-

volve the habit of concentrating the attention.

The prime essential of correct memorizing is to see that the things one wishes to be able to recollect are clearly and correctly perceived. The fact that one wishes to remember a thing shows that it has certain qualities which make it a factor bearing favorably, or unfavorbly, on the satisfaction of some interest.

The qualities which make the thing such a factor are the essential or significant qualities. In other words, the meaning of a thing is its bearing on the satisfaction of our interests.

The thing should be linked firmly by association with the interest whose satisfaction it concerns. The most salient, or characteristic qualities, that is the ones which will serve most readily and certainly as a means of recognizing the thing, must be singled out and carefully noted. They should be associated with the less obvious or significant qualities, or meaning, to serve as cues of recall.

We must carefully observe the essential or significant qualities of the thing. That is, we must note its bearing on the satisfaction of our interests. We must also note the significant and easily recognizable characteristics, and firmly associate them with the meaning of the thing. One should also observe the most natural or important connections between the object he wishes to remember and his previously existing store of ideas. These will be ideas closely connected by previously formed association with

the interest concerned with recalling the thing. We must connect these ideas with the idea to be remembered by as many association links as will be likely to prove useful. To make the associative connections between the ideas as serviceable as possible, the attention should pass from one to the other in the order in which it will be useful to recall them.

Two orders of recall should be established. The interest should serve as a cue to recall the thing as a means of satisfying it. The thing should serve as a cue to recall or awaken the interest and suggest to it that here is a possible means for securing satisfaction. To insure this result one should notice these relations and should endeavor to establish firm associative connections in both orders of recall. The occurrence of the need should suggest the thing. When the thing is encountered, it should suggest an opportunity of satisfying the interest.

Suppose that while studying salesmanship you are looking around for an opportunity to advance at some future time your interests as a salesman. When you meet men who may be able to give you a position, or help you to get one, you should firmly associate the idea of the men with your interest in getting a position. Your interest in getting employment should suggest the idea of the man as a possible means of getting employment. A meeting with the man should suggest that here is a possible opportunity to get employment.

Let us consider a more concrete illustration. Sup-

pose you meet a man and it occurs to you that "He may at some future time be on the market for what I am selling, or can give me valuable information or assistance." When you meet the man again you will wish to recognize him as a prospective customer, and call him by name. You will also wish to recall him when you are endeavoring to think of prospective customers to visit.

As you talk to the man, you should notice the most prominent characteristics of his appearance so as to impress a clear and accurate likeness of him on your memory. If you are a poor visualizer, and do not readily recall in memory, or picture to yourself how things looked when you actually saw them, it will be helpful to make to yourself a brief verbal description of the features of his general appearance which you believe will enable you to recognize the man when you see him again. You may compare and associate these with similar features of other men you know. For example, he looks like Smith but is taller. With this picture or idea of the man you must firmly associate his name, by thinking of it while making your observations. Use his name frequently while talking to him.

After the interview has ended, you should strengthen the association links you have established by recalling them and thinking them over. With them you can associate the man who introduced you, the place and circumstances of your meeting, the conversation you had with him, his business and so-

cial position and relation to other men you know, etc. Some, or all, of these, or similar associations you should form. You should firmly link them to your interest in the man as indicated above. Some men record in a note book the things they thus wish to recall.

If you wish at any time to recall the man's name, or appearance, or some fact about him, you can do so only by thinking over the ideas associated directly, or indirectly, with what you wish to recall, until one of them, or the combined force of all of them, suggests it.

ASSOCIATION PROCESSES IN EDUCATION

Education is the development of innate capacities of thinking, feeling and acting. Educational development takes the form of capabilities and habits of thinking, feeling and acting in such ways as will best contribute to the harmonious satisfaction of the various interests. This will be explained more fully later on.

The developed tendencies of thinking, feeling, and acting must be organized into serviceable association systems, if they are to serve effectively in securing satisfaction for the various interests.

PROCESS OF LEARNING

We may define the process of learning as the organizing of knowledge and skill so that they will be useful.

The efficient life is the well ordered purposive life. The efficient education is the one which arranges, systemizes, or organizes, the materials of knowledge and skill in such a way that they will serve most effectively as means of attaining life's purposes. Interests and purposes are the criteria by which one measures the value of things. Things have meaning and are valued, only as they are perceived as being in the relation of means to ends. The aims and purposes of life determine the selection of the elements to be associated and what associations shall be established between them.

Inefficient doing of a thing comes largely from inefficient thinking out of the method of doing it, or from failure to think at all. Efficient doing consists of selecting the essential factors from the unessential, and in skillfully organizing and employing them as a means of attaining the end in view.

In order to become generally efficient, one should formulate an ideal of efficiency and endeavor to attain it in every line of activity.

The principles of efficient learning and thinking

are the principles which make for efficiency in all lines of business activity.

Efficient thinking aims at the attainment of some end or purpose. Thinking will be discussed more fully later on. It deals with the solution of problems or the surmounting of difficulties hindering the attainment of ends. One must first think into his experience, or learn, what he would use later on in thinking out his problems.

When one encounters a problem, whether it is practical or theoretical, he can solve it only on condition that it suggests to him by the help of previously formed associations, the means required for its solution. The man who is efficient in grappling with problematic situations in an original way can do so only as his previously formed associations suggest original means.

The process of learning should be so ordered that it will be most helpful in thinking out problems. The most important question in education is how to organize the materials of experience into the most serviceable connections with each other.

One who wishes to accumulate a rich fund of experience, from which he can draw helpful suggestions when they are needed, should cultivate a questioning attitude of mind toward the matters with which his business is concerned. When he comes upon significant things, he should put them in his sinking fund of knowledge, by firmly associating them with the interests for which they have signifi-

cance. He will then have a wide range of knowledge at his command, from which he can draw to meet the obligations of thinking, when they are encountered.

MEANING OR SIGNIFICANCE OF THINGS

The meaning or significance of a thing is the bearing it has on the satisfaction of our aims or interests. Meaning lies in the qualities of the thing which determine our behaviour toward it. Chair, as a general notion, is a symbol of a class of objects with which we may do certain desired things. We class as chairs all objects with which we may do these things. We pass judgment on a thing when we put it in a general class and attribute to it the qualities of the class. An apple has a different meaning or significance than a chair because it concerns the satisfaction of different interests. A bench has a meaning similar to a chair. But its meaning is different from that of a chair, to the extent that the bench has certain qualities which affect the satisfaction of our interests in a different way.

A thing thus has meaning only as it recalls, through association, the memory of previous experiences with the thing, or with a similar thing. Our previous experience with an apple has revealed to us that it has qaulities with which we are concerned in various ways. When an apple is perceived, the meaning attributed to it comes from the awakening of previously formed dispositions to think, and feel, and act in regard to it. A thing has significance

only to the extent that present consciousness of it is supplemented by previous experience with it, recalled through association.

LEARNING AIMS TO GRASP THE SIGNIFICANCE OF THINGS

The purpose in learning is to discover the qualities of objects and the relations existing among them which affect our behaviour toward them, so that we can take intelligent advantage of the information in gaining satisfaction for the demands of our nature. We wish to know how our various interests will be affected by the various changes which may occur among the things of our experience. Knowledge aims at grasping the qualities and correlations of the objects of our experience so that we can deal with them intelligently in our efforts to secure the satisfaction of our interests.

Learning is a process of adjusting one's self to a new factor of experience, by the light of present and past experience, so that the factor will be properly appraised when it is again encountered in experience, or is considered as an element of future experience; and so, also, that the factor can be recalled when the needs of future experience so require.

The process of recognizing the signficant qualities and inter-relations of the various objects of experience is a process of judgment and inference.

MOST EFFICIENT METHOD OF LEARNING

To apply the most efficient method of learning, one should first find out the general nature and significance of the thing he is undertaking to learn. He should make a preliminary survey to see what interest is concerned with it, and the way it concerns the interest.

The next step is to get an adequate understanding of what is to be learned. The endeavor should be to get a clear, definite, and complete impression of all the parts of the thing in the order or arrangement in which they are presented.

In the third stage of learning, one should aim to select the more significant features, or qualities and characteristics, and to discern their relationships. Effort should be concentrated mainly on the proper understanding and arrangement of the more significant points. Less important matters should receive less attention.

In the last stage one should see that the general meaning, purpose, or bearing, of what is being learned is clearly in mind. He should review the associations fixed upon as most important, and see that they are properly organized and correlated with each other, in view of the general purpose.

By attentive and thoughtful repetition, the meaningful associations should then be firmly associated

with each other, and with the general purpose, in the order in which it will be most advantageous to recall them. A written outline will often give valuable help to learning.

Learning should be undertaken as a process of organizing the materials of knowledge in such a way that they will be most serviceable in attaining the purposes one endeavors to realize. Associations of resemblance or contrast, or contiguity, or class and member of the class, cause and effect, etc., will have ultimate value only as they supply means for realizing the ends which our trains of thought are endeavoring to reach. Hence, we see the importance of keeping aims and purposes in mind while forming the associations.

If one is to gain the greatest profit from the reading he does, he should apply the right method of learning. He should endeavor to grasp and condense or summarize the significant points of what he reads. He should fix upon the general topics to serve as cues of recall. He should make similar summaries of the subordinate points to be recalled under each general topic. While establishing meaningful associations among minor topics, he should at the same time, keep the general topic, under which they come, in mind, and link them firmly to it by similar associations.

He should clearly perceive the relations of the general topics as parts of an organic whole, and firmly fix in memory the perceived relations.

Learning should always be a process of working over and reconstructing in terms of one's own thought processes. In this there should be a wise selection and emphasis of what is significant for the realization of one's purposes.

The reader should be able to reproduce in his own words the definitions, generalizations, deductions, and other thought connections occurring in what is read. He should be able to make a systematic recapitulation, or summary, of what has been read. Taking brief notes will often prove of great practical help in mastering what is read, so that one can reproduce, in logical continuity, its salient features when one needs to recall them in his thinking.

When one is endeavoring to learn so as to reproduce verbatim, he should endeavor in like manner to grasp and organize the features which give the thing significance. He can thus greatly lessen the effort required in memorizing and increase the practical value of what is learned.

The great disadvantage of learning by means of arbitrary mnemonic devices, such as are employed in many advertised systems of memory culture, results from the fact that one does not grasp the meaning of the material so learned. Hence, the material is not available as a means of attaining the purposes which determine the trend of our activites. Bonds of association that are not meaningful are generally of little practical value.

It is generally more advantageous to undertake to

learn as a whole than in parts. But if the amount to be learned is so large that it seems expedient to break it up into parts, each part should be attacked according to the method outlined above. The various parts should be finally joined and organized as a whole and firmly associated with each other. In order to link a following part with a preceding part, by means of a cue of recall with which it has been associated, the general bearing and cue of recall of the following part should be held in mind while the preceding part is being reviewed and firmly associated with the following part. This cue should be one from which the various points of the following part can be developed readily in the proper order.

As the last stage of learning, one should practice recall in reviewing the whole until it can be reproduced readily. Weak associations should be strengthened. The practice in recall should be carried considerably beyond a point at which the whole can first be correctly reproduced. While practicing reproduction, the speed of recall can be gradually increased. What has thus been learned should be carefully reviewed on succeeding days, until it can be reproduced correctly and without hesitation. One should improve the earliest possible opportunity to make the first recall of what he endeavors to learn.

If learning is to be carried on most effectively, the attention must be intensely concentrated on the thing to be learned. Such application is very tiring.

One should not continue his attempt at learning until the element of fatigue paralyzes his effort.

After an attempt at learning, one should let his mind rest for a few minutes before undertaking something else. During this time the associations are becoming fixed. Their formation would be interfered with if other things were actively taken up. A brief rest will prevent such interference, or retroactive inhibition, as it is called.

INTEREST AND ATTENTION

Every one knows, in a general way, what is meant by interest and attention. At times one attends closely to an event he is witnessing, or to a conversation or speech he is hearing, or to a proposition which is being presented to him. At other times his attention wanders. He accounts for his inattention by saying he is not interested in the thing. It gives or promises no pleasure. It does not concern his fortune or welfare. One is likely to be inattentive to what a person says, if his personality repels, or his approach is not tactful.

Inattention to a thing that becomes an element of consciousness results from the fact that the attention is given to some other thing which arouses more interest. Absent-mindedness is a state in which one's attention is so completely concentrated on developing one line of thought that he does not notice other things which otherwise might arouse interest.

We may get a clearer notion of the nature of interest, from which attention results, and its relation to objects, by considering concrete examples. Ordinarily one is not interested in a time table. Even if he notices it, he at once turns his attention to some other object. But if one is going to take a journey, he may become intensely interested in a time table as a means of learning the trains that will take him

to his destination most conveniently. One's interest in the time table is satisfied, and his attention to it ends, when he has gained the desired information. His aim, or purpose, has been realized and his interest has been satisfied.

Perhaps the reader has previously had no interest in psychology, but has been led to believe that he can learn something from it which will enable him to improve his efficiency as a salesman. If he finds that an understanding of psychology will enable him to solve the problems of salesmanship more satisfactorily, he will become interested in psychology.

Objects not interesting in themselves will become so by bringing them into a significant relation to that which is already interesting. Show a man that the object you wish to sell him is the best means of realizing some aim or purpose he is interested in gaining and he will become interested in the object and will desire it.

At first one may be interested in accumulating money as a means of securing satisfaction for other interests. As one labors to accumlate wealth, his interest may be transferred from the things the wealth will secure and, through association, may become attached to and centered wholly on the accumulation of money as a means of securing satisfaction, as the traditional miser is attracted to and hoards his gold.

VOLUNTARY AND SPONTANEOUS ATTENTION

It is helpful to distinguish between voluntary and spontaneous attention.

Voluntary attention is attention directed to an object by an act of will, influenced by some motive other than interest in the thing attended to. A prospective customer may give this sort of willed attention to an article because of a request made by the salesman. Perhaps the salesman has assured him that the article will be a satisfactory means to the realization of some purpose in which he is interested. For example, the salesman may claim that the article will save expense and prevent losses. If the customer finds in the article nothing to warrant the salesman's assertion, he does not become interested in it and his attention soon wanders from it.

If the selling talk and demonstration of the salesman lead the man solicited to discover in the article a promise of bringing about the saving claimed for it, he will become interested in it and his attention will remain fixed upon it for some time. To hold the attention when it is once secured, the salesman must continue to develop interesting points, and thus lead the customer to discover in the object a growing promise of making the desired saving. This spontaneous, or nonvoluntary attention, held by the developing interest in the object, is what the salesman must secure, if he is to be successful.

Expectation of securing satisfaction arouses vol-

untary attention. Progressive satisfaction of the expectation leads to spontaneous attention.

That is attended to which seems to concern the satisfaction of the aims, purposes, interests, or instincts which at the time are more or less clearly in consciousness. Passive attention of an instinctive sort is given to intense, moving, pleasant, and unpleasant stimuli, to those which arouse curiosity and those which have a rhythmic character, etc. The various instincts and interests and their part in influencing conduct will be discussed later.

We give spontaneous attention to a thing we are conscious of being immediately concerned with. Such a thing takes on the aspect of being interesting in and of itself. It requires no effort to attend to such things.

Voluntary attention is given to a thing which is not in itself immediately interesting, but on the ground that it may concern, or is believed to concern, the future satisfaction of some interest. Such attention is very fatiguing. The ability to give attention of this sort, which is sustained for any considerable length of time, can be developed only by a rigorous course of training.

The power of giving sustained voluntary attention is the ability which enables one to direct his efforts persistently and unswervingly toward the attainment of some aim or ideal. The end to be gained is the motive which gives the trend to conscious activities.

Things thus attended to through voluntary attention tend to become immediately interesting. The interest is transferred to them through association. Henceforth they may arouse spontaneous attention.

Tasks which were at first uninteresting or positively disagreeable, may thus become interesting. The business man will finally come to turn with pleasure to tasks which originally aroused a feeling of repugnance. A knowledge of this fact may do much to encourage one to put forth the initial efforts required to perform certain unpleasant tasks connected with new work he is undertaking.

The idea of taking up a new task arouses a feeling of repugnance. The first efforts are put forth with reluctance. Persistence in the efforts tends gradually to overcome the antagonism felt for the task. The work done grows accordingly in efficiency. One should accustom himself to taking up new tasks that seem uninteresting with the consciousness that the worst will come first, and will soon be over. It is like a cold plunge. The first contact with the water is painful, but the final result is stimulating.

There is a rhythmic rise and fall in the effectiveness of attentive effort. As the power of attention wanes, the task may come to seem irksome. There is a tendency to yield to distracting influences. Under such circumstances, if one can hold himself resolutely to the task, he will find his efficiency again increasing with the rising wave of attention.

In order to accomplish things worth while, one

must be able to put forth a persistent effort to attain a remote end. He must have the ability to resist the distracting influences which tend to lure him aside. Such ability can come only through the formation of habit, as was previously explained.

FOCUS AND MARGIN OF ATTENTION

The focus of attention is the spot light on the stage of consciousness. When an idea is in the clear central light of consciousness it is said to be in the focus. Surrounding this center of clear perception are ideas of which we are but dimly and vaguely aware, if we are at all aware, that they are in consciousness. These are known as marginal ideas.

The reader can make clear to himself the distinction between the focus and margin, by practicing introspection. He will find that, as he reads, the focus is filled with what he is reading. There are, no doubt, ideas in the margin of his consciousness at the same time, which he can become conscious of, if he pauses to notice them. He may find among these ideas the ticking of a clock, the sound of people walking or talking in the house, the noises of the street, etc.

Ideas not attended to do not get into the clear center of consciousness, but remain obscurely in the margin, and soon drop out of mind.

The mind is focused on the idea to which it attends. Such an idea becomes clearer and remains longer in consciousness. Close attention to an idea makes it more likely to be remembered. By attending to an idea we bring it about that the ideas associated with it will come next into mind.

One can not give concentrated and effective attention to more than one thing at a time. However, one can get along fairly well in doing some task which he has made habitual or familiar through practice, and which as a result requires but little attentive effort, while, at the same time, his attention is focused on some unfamiliar, or difficult task which requires delicate adjustments to meet new conditions.

One can attend to an end to be gained and at the same time compare, criticise, choose, or use, means fitted to gain the end. But in any case when one attempts to attend to things which are not parts of one general process, or are not closely related to each other, the attention will alternate between them. Neither can get the effective attention which either alone would receive. Divided or distracted attention results in weak feeling, feeble impulses to action, and indecisive action.

EXPECTANT ATTENTION

Some of a magician's success comes from baffling the eye of the spectator. A greater part of it comes from diverting the attention from significant or essential things, and centering it, by suggestion, on features which do not reveal the true explanation.

The magician also creates a state of expectant attention. By carefully planned and skillfully employed suggestions, he works the spectator up into a sympathetic state of mind. He leads the onlooker

to expect vividly that the result he proposes to attain will be secured by the means, or process, he pretends to use. Criticism has been forestalled by predisposing to belief that the result will come in the way and form specified by the wonder worker. This belief fills the mind of the onlooker so fully that he sees what he strongly believes he will see.

A preconception of the intellectual sort will warp observation and judgment. A practiced reader does not readily see misprints. He overlooks them easily, even when looking for them. One standing on a crowded street looking for a friend to come along, may believe he sees him many times before he really appears. He may mistake for his familiar friend, men who are very unlike him.

Expectant attention often leads one to misjudge the real qualities of objects presented for his consideration. One sees what he expects to see. If one approaches a proposition in a skeptical frame of mind, he finds things which arouse suspicion and exaggerates their importance. If one is confident that everything will turn out all right, he is less critical. We prejudge the article favorably. Our mind is colored by the satisfaction we expect to receive. In this state of mind we are likely to overlook weak points, and see only the good ones. Good will as a business asset is largely a predisposition to look for satisfaction.

A strong desire, mingling with a strong feeling of confidence, often leads one to act without giving due

consideration to factors indicating the wisdom of another line of action. The fraudulent advertisement, or selling proposition, creates and takes advantage of such an uncritical state of mind. Attention is centered on some strong claim, or alluring promise. Desire is aroused. The mind is filled with a foretaste of the satisfaction which will result, if the attractive promise is made good. The person is made to believe that he is in danger of losing the golden opportunity, if he does not act at once. In such a state of mind, the weak features of the proposition do not receive proper consideration.

ATTENTION DETERMINES THE DIRECTION OF THINKING, FEELING, AND ACTING

Attention is the controlling factor in consciousness. The line followed by attention determines the course of thought and action. Several ideas may be in the margin of consciousness at the same time. They may be presented through the senses or revived by association. Only the one among these ideas to which attention is directed will get into the clear center of consciousness. The ideas which do not receive attention soon drop out of mind. The idea on which attention is directed remains longer in consciousness than it otherwise would. It becomes more clearly perceived, and becomes the dominant factor in determining the trend of association. Various ideas, associated with the one the attention is thus focused upon, may come more or less clearly

into consciousness, but the one of these which the attention selects will in turn become dominant in the train of thought.

In selecting the ideas which will come into mind, the attention controls the feelings which pervade consciousness, and the choices it makes, or the acts of will it performs. In more technical language, the attention, in exercising its selective function, controls the direction of thinking, feeling, and volitional acting.

The above applies to conscious processes in which association alone is depended upon to supply the ideas which come into mind. The conditions are modified somewhat when the salesman is presenting arguments and making suggestions to action. The arguments and suggestions displace ideas which would naturally come through association alone. But the arguments and suggestions have influence in controlling conscious processes and behaviour, only as they are selected by the attention.

ACTS OF WILL, OR IDEO-MOTOR ACTIVITY

One performs, as a matter of course, any act upon the doing of which he focuses his attention, unless he is prevented from doing it by some idea opposed to doing it, which is at the same time present in consciousness. Such a preventing idea is known in psychology as an inhibiting idea, and the prevention is known as inhibition.

The reader can readily find illustration of the motor tendency of ideas. Let him recall a recent trip to a store. Suppose he vividly imagines himself going to a store to make a purchase. If he tries to picture to himself in detail the actions involved, he feels himself actually beginning to perform the motions required to open the door, examine the article, etc. He will feel tendencies to activity in his vocal organs as he imagines himself speaking to the clerk.

The idea of performing an action tends to work itself out into action, that is, it is also an impulse to action. The ideas of purchasing which a salesman puts into a customer's mind are impulses to make the purchase.

Let us consider an example of an impulsive act which is fully performed. If one sees a child about to walk in front of a rapidly approaching car, he will reach out to pull him back. The act will be performed impulsively without stopping to think about

it. The thing seen arouses a strong feeling and suggests an act felt to be demanded by the situation. The impulse to perform the act fills consciousness so that all ideas of acting otherwise are excluded. In such a case the act is performed without other act of will, or volitional fiat.

The following illustrates how an inhibiting idea prevents an impulse from passing over into action. If one saw a child fall into deep water, he would feel a strong impulse to jump in to rescue him. If he could not swim, the situation would suggest to him the uselessness of carrying out the impulse. The idea of the uselessness of the act would doubtless prevent him from performing it. Such a preventing idea is technically known as an inhibiting idea. An objection which prevents a customer from closing is such an inhibiting idea.

ACTS OF WILL INVOLVING DELIBERATION

When two or more different lines of action are open to us, we may find it difficult to choose between them. Suppose it is a question whether I shall accept employment with another firm, or remain with the one for which I am now working. Each position has certain advantages and disadvantages. To bring these clearly into view, I endeavor to estimate fully the consequences which will follow upon each line of choice. Among them would be the prospects for permanent employment, increase of earnings, promotion, etc. The advantages of accepting the new position are compared with the advantages of

the present employment. Finally, I come to the conclusion that one position offers, on the whole, more desirable prospects than the other. I turn my attention from the less attractive alternative and fix it on the more desirable one. In so doing the decision, or act of choice, is made. I accept the position which I have come to regard as the better.

Deliberation between alternatives is necessary for deliberate action. But carried too far, it paralyzes effort. The active, energetic, practically successful type of man is one who makes sure that all the essential facts bearing on the situation have been given due consideration. He then cuts loose from all but one line of action accepted as the most desirable. He concentrates all his energies on carrying out the chosen course.

THINKING

The line of development which mental processes follow is determined by a more or less explicit aim, or purpose, which the person desires and strives to realize. Thinking takes place when one becomes conscious of a not immediately realizable end he desires to attain. The thinking takes the form of casting about for ways and means of attaining the desired end.

When one encounters an obstacle to the attainment of a purpose, a state of stress or effort is aroused in his mind. The anticipated attainment of the desired end arouses a feeling of satisfaction and striving toward the end. The less satisfactory present state, contrasting with the desired one, arouses a feeling of aversion, or striving away from it. In a consciousness of obstructed attainment of purpose, a state of mingling desire and aversion is thus found. A feeling of hostility to the obstacle is also experienced. This stimulates the effort to get around the obstacle, or overcome it, or even to destroy it. One has reached a thought crisis which demands clear and effective thinking, rather than blind yielding to any one of the various impulsive feeling aspects of desire, as the state as a whole is generally called.

Any activity is said to be interesting, or to arouse a feeling of satisfaction, when it awakens within us

the feeling that we are accomplishing something worth while; whether the "something" is very clearly defined or not. A feeling of interest is aroused by the consciousness of making progress toward the attainment of a desired end. The feeling of interest is a warming up to the activity, and at the same time a propensity to continue the activity which promises to satisfy the interest. The feelings of aversion and hostility lose in strength as the feeling that one is "getting warm" and the foretaste of the anticipated satisfaction grow stronger.

The desired end may be near or remote in the order of events. When the end is remote, it may be necessary, in order to attain it, to formulate many nearer ends which are subsidiary to it. The remote end then serves as a guide, or norm, in formulating the nearer ends, and in correlating and co-ordinating the efforts to attain them.

The efficient worker devotes his efforts continuously and persistently to the things and aims which he believes will play an important part in the attainment of his larger purposes. Efficiency requires that the non-essentials be eliminated. It demands that our aims or purposes be appraised according to the contribution to well-being that may be secured by attaining them. The efficient person cultivates a knowledge of, and desire for, the things worth while. He works to attain the things which give the richer and more enduring forms of satisfaction.*

*See discussion of "Well-Being or Self-Realization."

Thinking always has a purpose or end in view. This purpose is to secure satisfaction for an instinct or interest. The origin and nature of the various interests, and the different lines of activity in which they seek satisfaction will be discussed later. The end which is held in view in thinking is felt to be desired. The end which it is desired to attain through the thinking processes is to bring about such an ordering of conscious experiences as will best satisfy the awakened interest or felt need.

Thinking occurs only when one becomes aware of an obstruction or hindrance to securing the satisfaction of the interest or need. There is the consciousness that one faces a problematic situation which must be solved before a desired end can be gained.

The problematic situation may consist essentially of the awareness that the end is not clearly enough comprehended and formulated and correlated with other ends to permit one to work definitely and efficiently toward its attainment. For example the problems of promoting welfare work among employees are largely of this character. Efforts along this line are often largely ineffective, because the one putting them forth does not clearly and adequately apprehend what definite ends must be attained in order that the welfare may be promoted satisfactorily. The ideal in doing welfare work should be to promote the harmonious satisfaction of the various interests of the employee involved in a fully developed personality. Success in the work

will involve seeing to it that the employee has such incentive, wisdom, means, and opportunity as will enable him to secure such satisfaction.

If the purpose of the thinking is to overcome the difficulties in the way of accomplishing a definite mechanical result, or of performing some act such as selling an article, the problem may consist in selecting appropriate means and in employing them skillfully in the attainment of the clearly formulated purpose.

The first step in effective thinking and acting is to formulate and find answers to definite and pertinent questions. What is the end, or purpose, or aim, or goal, I wish to reach? What is the character of the obstacles that have obstructed the flow of my activities? Will this, that, or the other suggested answer be of assistance in solving the perplexity?

When one has clearly perceived his problem, the next step is to make a careful analytic search for the elements which have a significant bearing on the solution. The criterion for the selection and rejection of materials available, is their fitness for use as a means for attaining the desired end. The features of the materials which make them fit for this use are the qualities which give them significance for the end in view. The next step is the selection and arrangement of the significant features in such a way that they will contribute to the realizing of the end in view.

In the process of thinking, the interest or purpose dominant in consciousness at the time, through the

form of activity known as attention or volition, exercises a selective control over the stream of thought. The interest exercises this selective control by determining on which of the various ideas coming into the margin of consciousness the spotlight of attention shall be focused. When this control is being effectively exercised, only such ideas are received into the clear center of attention as are believed to be relevant in some way to the end which the thinking is endeavoring to gain. It becomes interesting for this reason.

The interesting idea which is received into the focus of consciousness is more vividly perceived and remains longer in mind than the marginal ideas which are merely accorded a passing glance. The interesting aspect thus held in the clear center of consciousness becomes dominant in determining the ideas which will next come into mind through association.

As the ideas recalled through association appear above the threshold of consciousness they are noticed. If they appear to have no bearing on the business of the moment, they are given no further recognition. They remain withering in the dim margin for a brief moment, as they drop out of the mind.

If the idea occurring seems to have a bearing on the desired solution, the attention is fixed upon it. It is critically examined and fitted into its proper place in the thought system which is being con-

structed. If the solution is not readily reached, an attempt is made to hold all apparently relevant ideas in the background of consciousness. In this way there is built up a fringe, or constellation, of ideas mutually helpful in suggestive force, in the hope that one, or all of them, will finally suggest the solution the judgment approves.

When an interest or purpose thus controls the processes of thinking, it lapses into the background of consciousness. The attention is directed to the ideas that appear in the foreground, discriminating, measuring, and accepting or rejecting them. But the purpose must not be allowed to lapse entirely out of mind or thought will be deflected from its guidance.

The purpose of controlling the development of conscious processes, remains in the background, but its influence pervades and gives coherence to the flow of thoughts, feelings, and strivings. Figuratively speaking, it is the commanding officer viewing, and appraising, and ordering the whole field of conscious activities. Though it occupies a position on the field of action it is aloof from the various activities and vicissitudes of the actual contestants. The associative and logical thought processes are employed merely to serve the purposive processes of feeling and striving, just as the soldiers and the equipment of the army are used as a means of accomplishing the aim of the general.

In active thinking, as has been said, one has a

definite aim, or purpose, or problem in mind. He is searching for a means of gaining the end or solving the problem. Success in overcoming the difficulty encountered depends absolutely on the ideas which come to the mind through association. Success will depend upon the care and skill previously exercised in organizing knowledge into association systems.

Efficient thinking and doing must be founded on and spring from efficient learning. The process of learning efficiently was previously explained. Such learning consists in organizing the materials of knowledge into such forms of associative systems as will contribute most satisfactorily to the use of the materials in gaining satisfaction for the interests concerned with them. In such learning, the interest to be served by the organization must be kept alive in the margin of consciousness and must be firmly associated with the organized elements with which it is concerned, by concentrating attentive effort on firmly establishing the association.

The truly efficient man is the one who can see problems where others are unaware of them. He has cultivated a questioning and critical attitude of mind toward the affairs with which his activites are concerned. He is able to bring a well organized intelligence to the solution of the problems he thus discovers. Such a man has real initiative and brings about improvement and progress. Efficiency in business involves first, the adequate formulation of the ends to be striven for. One must then locate

the obstacles in the way of attaining the ends. He must clearly perceive, and select, and skillfully employ the best means available for overcoming the difficulties and gaining the end.

In order to think and act adequately about a situation or proposition, he must have developed keen powers of discernment which enable him to select focus of attention. Right thinking and acting require that elements not relevant be disregarded, and that relevant matters be kept in mind until the means or way to the end is found. If one has previously fitted himself to handle the situation and keeps his attention concentrated on significant qualities or points, he will find coming into mind, through association, ideas which will guide him to a wise course of action.

One can have fertility and resourcefulness in thinking, only as he has previously established an extensive system of associations organized in accordance with their significant features. Fortunate is he who can see the significance of things, and can recall them when their significance will make them useful! The thinking of one whose knowledge is so organized will be significant rather than superficial. He will not be led off into inconsiderate action by the first plausible suggestion which occurs to him. He will be freely supplied with suggestions along alternative lines, which will lead him to carefully examine and appraise the superficially plausible suggestion.

When the suggestions do not come through the

associations previously established, one should undertake a systematic search for them. This search may take the form of carefully planned experiments or investigations of some sort. Or one may seek help in the experience of others through conversation or reading.

The solution of the problematic situation may thus demand that one acquire new learning. To avoid the uncertainty and tremendous loss involved in learning mainly by the method of blind trial and error, one should give an intelligent and searching investigation to the factors which may have significance for the solution of the problem. The number of failures in thinking and acting can thus be greatly reduced, but not entirely eliminated. The wider and more intelligently organized the past experience has been, the more effectively can be brought to bear on finding a way to overcome the difficulties of a novel situation.

TEST OF TRUTH

The more clearly one has centered his attention on methods of procedure, and has discriminated them from their context, and associated them with the general conditions under which they can be applied, the more effectively he will be able to bring the previously learned methods to bear in dealing with a novel situation.

Novel problems must be solved in terms of previous experiences, by combining or using the elements of such experience in new ways. One must search either his own experience or the experience of others for factors bearing on the solution of his problem. It is a difficult task to select the few significant factors in the problematic situation from the the significant aspects and hold them clearly in the many irrelevant features which are manifested along with them. When these are found it is still more difficult to form the right hypothesis, or theory, of dealing with them, than it is to determine whether we are on the right track to the solution, after the hypothesis has been formed. The only method of procedure is to critically examine the various possible solutions suggested. The most promising of these solutions should be selected as an hypothesis. By study and trial, or experimentation, one must endeavor to ascertain whether the tentatively accepted

hypothesis offers the best way out of the difficulty. The test as to whether the true solution has been reached is whether it will guide us satisfactorily in dealing with the elements of experience so that we can attain our purpose. If we find that it works satisfactorily we accept it. If not, we reject it.

Whether a suggested solution, or tentative hypothesis, is correct can be determined only by testing it in subsequent experience. However, one can often arrive at a high degree of probability by carefully thinking out the consequences that can be foreseen as likely to follow such an attempt at verification in experience. In imagination, one can anticipate the results of experience. If the situation does not involve too novel elements, he can reach a reasonable certainty that his forecast of consequences is essentially correct. This is the process of verification; whether we are searching for general notions which will enable us to deal with presented materials, or whether we are searching for a particular means of attaining a general end. One by imaginatively testing his solutions in experience can form a conclusion that they are probably true. He should not make the mistake of regarding them as certainly true, until they have been actually tried out in experience.

JUDGMENT AND REASONING.

When one discriminates the various thought relations among the elements of experience he is said to pass judgment upon them. So also when a choice is made and a decision is reached after deliberating over the consequences of following different lines of action, the act is known as a judgment.

The function of judgment, as an element in the process of thinking, or reasoning, is to notice the significant relations existing among the objects of thought. Among the significant relations are resemblances and differences, the relation, of means to end, individual to class, cause and effect, the estimation of merit or value, and the discrimination of various other relations between ideas.

One passes judgment on a thing when he decides that it's value is equal to or greater than that of some other thing, or when he decides that he can use it to bring about an effect he desires to produce, or concludes that a certain effect has resulted from a cause of such and such a character, etc.

The salesman's task is largely to induce the man he solicits to pass judgment that the article offered is the best available means of securing some end which he desires to attain. He will then desire the thing as a means of attaining the desired end. In bringing this about the salesman has produced a

state of conviction or belief in the customer's mind.

Reasoning involves a series, or chain, of judgments. There are two forms of reasoning, known as induction and deduction. One is reasoning inductively when he derives general principles or conclusions from observed facts. If the salesman can show that this, that, and the other business man belonging to a certain class has found it profitable to use in his business the article offered for sale, he arrives inductively to the general principle, or conception, that the article will be found profitable by all men of that class.

The salesman can apply deductively the general principle thus established inductively. He does so if he convinces the men he is soliciting that the circumstances, conditions, and methods of his business will rightly bring him under the general class of profitable users. If the customer is convinced of this, he will conclude that what has proved profitable to others similarly situated will also be profitable to him. His belief is founded on his acceptance of the truthfulness and validity of the evidence on which the general principle of profitableness was established, and the conviction that the circumstances in which he finds himself, will rightly put him in the class of profitable users.

It may be well for a salesman to understand the method of procedure in deductive and inductive thinking, but he will hardly find it profitable to apply them in the formal way above illustrated. However,

the salesman should understand that what is known as creating desire is generally merely showing that the object is an important member of a class of objects habitually regarded as desirable.

Our satisfied customers are our best advertisement, is a statement which aims by suggestion to cause the hearer, or reader, to make the inference and draw the same conclusion, which was reached above by following formal logical processes more closely. Such a suggestive statement is usually more effective than cold logic in influencing to action.

Such a suggestion may be backed up by a few reasons why. Even when such is the case, the one who is influenced by it is not moved by formal logical processes to make a fully reasoned choice. He is rather moved by suggestion to perform an act of rational imitation. This subject is developed more fully in discussing suggestion and imitation in the "Psychology for Business Efficiency" and the "Psychology of Advertising."

It must be remembered that thoughts originate, or grow, only from one's own experience, past and present. One is skillful in judging, as his past experience has been rich and varied, and skillfully organized and assimilated. One, so prepared, can readily select the right idea and apply it accurately in solving the problems at hand.

The genius is one who clearly perceives the significant aspects and relations of things and links them together, and to the related parts of his experience,

by helpful associations. The expert has reflected on experience, has studied and classified actual and hypothetical cases, and has formed useful association systems. He thus has many fully formed conclusions and principles of action stored away in his memory. As soon as the essential facts of a new proposition are clearly established, he at once recognizes it as belonging to a class with which he is already familiar. Without apparent consideration, or deliberation, the expert, thus prepared, can immediately and confidently give a decision on matters of the utmost importance. He has previously gone through the processes of investigation and deliberation. He sees his way clearly at once, and is ready to act confidently in accordance with his judgment. A selling appeal addressed to an expert should take a different form from one addressed to an inexperienced buyer.

BELIEF AND ACTION

Deliberation results normally in conviction, belief, and action. If I am convinced, or believe, that it will rain, I shall carry an umbrella; unless, taking everything into consideration, I am convinced, or believe that getting wet will involve less inconvenience than carrying the umbrella. In either case the belief determines the action.

I am always ready to act along the line which I believe will contribute most to the realization of the purpose which at the time seems to me most im-

portant. Because it seems most important, my attention is fixed upon it, or rather it holds my attention.

Deliberation and reasoning aim to eliminate rivalry and conflict among impulses to action. Deliberation is brought to a close when order and harmony are established among the impulses to action. When a decision has thus been reached, one refuses to attend to suggestions arousing impulses to act along an opposing line.

In attending to the acts appropriate to the conviction or belief established, he sets the switches for their performance. At last, when all preparations are made, and the judgment declares that the time and circumstances are ripe for the believed in action, and that the line is open, then the act is performed as a matter of course.

PART III

FACTORS WHICH DETERMINE THINKING, FEELING, AND ACTING

INSTINCTS OR PREDISPOSITIONS

Some parts of the following discussion of interests may seem very difficult to one who has not studied psychology. The relative importance of the subject is fully as great as its difficulty. This fact should stimulate the reader to put forth the effort necessary to grasp it. It goes to the core of the motives which influence action. The mastery of this part of the subject should helpfully illuminate the work of the salesman. It is of fundamental significance in the widely prevalent effort to rightly motivate education, vocation, and other activities of life.

"The Classification of Interests", and most that follows it, will be easier. The application of psychological principles in the practice of salesmanship will become clearer if one has a thorough understanding of the interests and the part they play in determining the actions of men. The significance of the harder parts of the book will be better understood on a second reading. If the psychology of salesmanship were easy, many books would have been written on the subject long before this.

Men are moved to action by impulses which have their roots in instincts. These instincts originated in very remote evolutionary processes because of their usefulness in promoting the welfare of the individual, or of the community to which he belonged, and in perpetuating the race. The social reformer, the politician, the teacher, the preacher, the advocate, or the salesman can influence men only by appealing to emotions, sentiments or interests developed from these instincts.

The salesman who attempts to awaken interest and desire will be greatly assisted by understanding the origin, nature and significance of these mental processes and the part they play in influencing the actions of men. One who has this knowledge will be better able to arouse interest and desire for his proposition and to take advantage of their impelling force.

An eminent authority has defined an instinct as an inherited, or innate, mental and physical predisposition to experience an impulse to attend to certain things, to feel desire or aversion for them, and to act in a predetermined way in regard to them. An instinct is complicated, purposive behaviour which has not been acquired or learned through educational processes.

From the physiological point of view a predisposition is a complex constellation of nervous paths. These paths may be fully pre-formed or partially pre-formed. That is, they may exist in a fully de-

veloped form previous to experience, or they may be only partially pre-developed and hence require experience to perfect them.

On the psychological side a predisposition is a capacity and tendency to feel interest in and strive for. Physical predispositions may be fully pre-developed or partially pre-developed.

On the psychical side the predispositions have various qualities, attributes, or characteristics which distinguish the various processes of being interested. In their developed form they take on the differentiations which are distinguished in and predicated of the conscious processes. The qualities or characteristics observed in objects awaken certain correlated mental processes of feeling, interest, and striving which have distinguishable qualities or characteristics.

When one becomes aware of the object which is the stimulus to which a certain form of instinctive behaviour is the appropriate response, he feels a strong impulse and desire to perform the instinctive act. When one first performs the instinctive act he is probably not aware of the purpose which his behaviour serves to attain. Even if he has a certain sort of vague, innate fore-knowledge of the general end to be gained, it is evident that the awareness of the purpose does not determine the form of the behaviour. There is no deliberate effort to determine what to do, or why to do it, or what is the best form of behaviour under the circumstances. When such

factors enter into the performance, the act is not a perfectly developed instinct. It results rather from more or less definite instinctive tendencies and capabilities.

The instinctive endowment of man consists largely of general tendencies and capabilities. Even such perfectly developed instincts as he has, cease to be blind as one grows in experience. With the growth of experience, the real purpose of the instinctive act comes into view and determines the choice of means to attain it. The original instinctive behaviour, or reaction to stimulus, is greatly modified. Such modification is often necessary to adapt the act properly to the circumstances in which the individual finds himself. This is true largely because the conditions of human life have changed greatly from those of the remote evolutionary period in which the instinct originated.

Authorities vary greatly in the number of instincts they enumerate. As was said before, some of the innate tendencies and capabilities of human beings are not manifested in the form of perfectly developed instincts. They require development through education and experience. However, most authorities will agree in the broad view that man, as the result of the inherited structure and tendencies to development in his psychical and physical organism, is predisposed to do a much larger number of things than are the lower animals.

ENUMERATION OF INSTINCTS

Taking the broad view, the following are among the more important instinctive capabilities or tendencies:

Appetite for certain foods and disgust for others, anger, hate, affection, rivalry, emulation, jealousy, shyness, fear, teasing, self-assertion, modesty, sexual love, parenthood, desire for approbation, sympathy, imitation, play and recreation, fighting, nomadism, agriculture (making things grow), hunting, constructiveness, secretiveness, inquisitiveness (curiosity (or desire to know), acquisitiveness, the predatory instinct, artistic interest, respect for others, gregariousness, co-operation with others, loyalty to group interest, subordination to superiors, morality, and religion, or self-subjection to the Divine Will.

The following are brief illustrations of the sort of behaviour to which some of these instincts lead. The setting hen feels that she simply must set, even if the nest is empty. Whether a brood of chickens will result from her setting evidently does not influence her act. The instincts in a human being can not long remain as "blind" as this. However, the boy may unquestionably follow an impulse to collect articles of no real value. So one sex is attracted to the other, and so the man may feel an overwhelming impulse to go fishing, or hunting.

The innate predispositions play an important part in ordering the affairs of life. One instinctively fears whatever threatens to prevent the attainment of a desire.

The consciousness of being alone in the dark or in a vast wilderness may arouse an instinctive fear, which is none the less genuine, though one recognizes that there is nothing to harm him. We hate a person who maliciously hinders the attainment of our purpose. Emulation impels an individual to rival the achievements of a superior. Rivalry, developed to excess, grows into envy, jealousy, anger, and hate. We are jealous of persons whom we regard as our rivals. We envy them their success. Acquisitiveness leads to competition and rivalry. It leads to envy, when the thing desired belongs to another. One is envious of a person when he covets his goods, and may become jealous of him as a successful rival for the goods.

Secretiveness impels one to conceal his business from others. Its instinctive character is shown by the fact that it often influences one when there is no real reason for concealment. Curiosity, or inquisitiveness, is interest in knowing. In business, curiosity, or interest in knowing about a thing, should be clearly distinguished from acquisitiveness, or interest in securing it. Curiosity may be made to lead to acquisitiveness, if proper advantage is taken of it. Combativeness may be dangerously strengthened by an extreme militaristic policy, or dangerously weakened by a peace at any price attitude.

Sympathy is the general instinctive tendency to experience an emotion perceived to be manifested in others. One responds as instinctively to the observed expression of an emotion, as he does to the object which is fitted to arouse the emotion, and for similar reasons. The instinctive imitation of the expression of the emotional state makes one aware of the nature of the state, by arousing a corresponding emotion in him. This emotion aroused through imitation is accompanied by an impulse to carry it out into appropriate behaviour. The person who experiences and responds to an emotion through instinctive imitation may be totally unaware of the stimulus which aroused the instinctive response in the person imitated. This has been a source of advantage as when the instinctive response has, for example, enabled one to escape a danger of which he was unaware. It may also lead to destructive panics and other detrimental acts. Through this instinct the enthusiasm and confidence of the salesman arouse similar feelings in his customer.

One instinctively reacts to the expression of an emotion which he has inspired in another. The suggestive force of one's own expression is reflected back to him and adds strength to his already strong feeling. As each one of a crowd is thus influencing and in turn being influenced by others, the emotions may be worked up to a very intense form. The sympathetic, reciprocating, cumulative spread of an emotion through imitation accounts for the fact that the

emotion a person experiences when witnessing a play as one of a large crowd is much greater than he would experience as the only spectator. The expression of pleasure or displeasure by the various members of an audience tend mutually to heighten each other. More will be said on this subject later.

Instincts do not appear until the necessary nervous connections have developed through bodily growth. No two children manifest exactly similar instincts. They vary in number, in relative strength, and in time and order of manifestation. All the instincts will appear sooner or later in a normal person, if a suitable stimulus is experienced when the nervous system has reached a proper stage of development.

In a general way, the human instincts have tended to adjust the individual to the necessary conditions of his existence. They enable him, independently of education, to make his environment contribute in some measure to the satisfaction of his needs.

In man the instinctive preadjustment has never attained to the perfection which it has reached in the lower animals. In the animals the instincts are ready made capabilities to perform certain acts. They are, compartively speaking, modified or improved but little by education. In man the instincts are largely tendencies and capacities which must be developed into capabilities and habits through education.

INSTINCTS REQUIRE EDUCATIONAL DIRECTION

It is not safe for the individual to follow blindly the guidance of his native impulses. Pugnacity may be taken as an illustration. The fighting spirit, as developed in some militaristic circles, is harmful to the interests of society as a whole. Yet there is no doubt that a refined and tempered form of the fighting spirit is essential to the attainment of great achievements.

An instinct may develop into a good or bad habit, or die out from lack of exercise. It may be so strong as to lead readily to over development. Or it may be weak and require strong stimulation and much exercise.

As a result of stimulation and exercise the instincts are correlated and developed into habits. In their developed forms they manifest themselves as interests and temperamental traits of character.

An instinctive tendency may fail to develop into an element of character, because of the lack of an appropriate stimulus, or of an opportunity to perform the act: or the failure to develop may result from the fact that one yields so fully to some one instinct that he neglects to exercise others. Or the instinct may be forcibly repressed. While a merely neglected instinct may die out, one that is forcibly

repressed may merely become dormant and manifest itself in some foolish or perverted act later in life.

It is the business of the educational agencies, among which the parents occupy a very important position, to see that proper stimuli and opportunities for exercise are furnished to each instinct when it ripens. In this way the instinct may be developed into an interest or trait of character useful to the individual.

The instincts are often in rivalry with each other. The educator must see that they are properly harmonized. He must also see that the person is furnished with knowledge and incentive to guide his development along the lines of his real needs.

The mental constitution of an individual has taken its form through the development in the evolutionary experienec of ancestors. This constitution includes the rather specific instincts we have mentioned. It also includes more general innate capacities and powers which are more variable in their manifestations in individuals than the more specific instincts.

Among such qualities we may mention, as examples, the capacity for more than ordinary achievement in science, business, mathematics, politics, painting, music, etc. The possession of such capacities apparently does not result entirely from the inheritance of a practically perfect nervous organization. They appear to be, in large part, innate

mental tendencies, qualities, and capacities. The inborn capacities must be developed into capabilities through education. The born salesman needs education to fully develop his ability. This inherited mental constitution determines largely the trend of the development of the nervous organization acquired during the life of the individual. An instinct acquired during remote evolutionary experience is a trace of that experience persisting in the mental and physical constitution of the individual. This innate trace of remote racial experience is comparable to a memory of such experience. Through these traces the lessons of past experience indelibly impressed on the mental and physical constitution of the individual are operative in guiding him through present experience.

In the instinctive striving there may be, previous to actual experience, some faint perception of the end at which the impulse aims. In the fear instinct this preperception may take the form of a very imperfectly defined "Danger—there! This way to escape!" In carrying out an instinct, the stimulating object is regarded as a thing with which one is greatly concerned. There is certainly present also the feeling that something worth while is being gained by the behaviour.

The awareness of why the act is worth while could arise only through the awakening of innate knowledge along with the innate feeling and impulse.

The traces of previous experience preserved in

the mental constitution and manifested as instincts work through more or less perfectly preformed pathways of neural discharge. The less perfectly or less completely these pathways are organized, the more important is the function performed by the traces of past experience existing in consciousness, and the more necessary it is to develop intelligence to guide in the response to the stimulus.

MODIFICATION OF INSTINCTS

Instinctive behaviour may be analyzed into the following important elements: The perception of an object which serves as the stimulus; the emotion and impulse aroused by the stimulus; the form of behaviour which results as the response to the stimulus.

One may learn to improve the instinctive response to a stimulus. He may learn to discriminate the circumstances under which he should make the response, from those under which he should not make it. He may, through experience, associate with the object which first called forth the response, another feeling and impulse which will lead to a different response. "The burnt child dreads the fire." One may learn to respond instinctively to objects which at first failed to arouse such a response.

An instinct may be modified by associating with the object and the feeling it arouses another form of response. The response to the feeling and the impulse aroused by the stimulus is shunted off into another line of action. In this way one may be led

to make the conventional rather than the primitive response to the stimulus. Actions are thus made to conform to the forms of conduct prescribed by society. The sex instincts, for example, require such modification.

Instincts may be modified by refining, sublimating, generalizing, and co-ordinating them. The gregarious, co-operating, and fighting instincts and those of emulation, play, etc., are thus modified by properly conducted sports. One who fights for victory according to the rules of the game is likely to become one who fights the battles of business and political life in accordance with the principles which should govern conduct in those spheres.

WILL TO LIVE

In the earliest form of conscious life there was probably simply a vague consciousness of impulsive-process-going-on and of satisfaction-accompany-the-going-on. It was the will to live seeking and finding satisfaction in the conscious-impulsive-satisfying-activity which constituted the process of living.

The general will to gain satisfaction through carrying out impulse has come, through the process of evolution, to manifest itself along many different lines. The various instinctive predispositions serve to guide impulsive activities into the lines along which they most profitably seek for satisfaction. They are differentiations of the original capability of experiencing impulse and of feeling satisfaction in carrying it out. As such they must be dominated and correlated by the general will so that they will work together harmoniously, each contributing duly to the satisfaction of all.

INSTINCT OF SELF-REALIZATION

We have found that we can trace one all inclusive, all pervasive instinct manifesting itself in the various special instincts. We may call this the instinct of self-realization. It is essentially a process of seeking satisfaction through carrying out impulse.

In one aspect, the instincts are processes of react-

ing to the environment. The form of the reaction is determined by a correlation existing between certain objects of consciousness and certain qualities in the physical and mental constitution of the individual. In another aspect, since the behaviour resulting from the stimulus is determined by the psychical and physical constitution, this behaviour may be regarded as a form of self expression.

The instincts are predispositions to act in such ways as will best promote one's well-being, or self-realization. The instinct of self-realization works blindly at first, groping its way by mere impulse. As man's experience widens and as his intelligence increases, the character of this predominating instinct becomes more clearly revealed. It develops into an ideal of well-being. The ideal is that of a form of well-being to be attained by developing all one's capacities into capabilities of securing satisfaction and of exercising these capabilities, each with due regard to the other, and of safeguarding them.

Some of the instincts aim largely at making one's material environment subservient to the progressive approximation to the ideal of well-being or self-realization. Among them are constructiveness and acquisitiveness.

Other instincts, such as play, curiosity, and especially imitation, have for their purpose the improvement of well-being through giving a better mastery of the objects of both the material and social environments so that they may be employed more efficiently as means of securing satisfaction.

Some of the instincts concerned with the social environment are egoistic or seek for the well-being of one's self. Some are altruistic and seek for the well-being of others. Some are antisocial, others are pro-soical.

Among the egoistic or self seeking instincts are pugnacity, fear, self assertion, rivalry, shyness, secretiveness.

Teasing and the predatory instinct are antisocial.

The altruistic instincts are general pro-social. That is, they aim at promoting the well-being of others. Such are parenthood, sympathy, modesty, sexual love, respect for others, co-operation, gregariousness, loyalty, and subordination to superiors.

No man can come into being or develop his capacities apart from others. Born into collective life man's well-being must be brought about through co-operation with others, in collective life. The will to live in its various lines of instinctive development clearly aims at self-realization in the give and receive of association with others. The state of well-being aimed at is a state of social well-being in which each will profit in proportion to his service to others, and only as he renders such service. The supreme good is a common good, to be attained in a community, the members of which are mutually dependent and mutually helpful. One just as naturally feels regard for the collective welfare, as for his individual welfare.

The striving for self-realization is a striving for

such a condition of collective well-being as we have just explained. The ideal of self-realization has been formulated through co-operative experience and co-operative reflection on experience. It is an end not fully attainable, but to which we can always approach more closely.

Man is a social being with broadly diversified interests and concerns, as well as a marvelous machine for performing work. His well-being can be promoted only by providing opportunities and stimuli leading to the satisfaction of his various lines of interest. This fact should be kept in mind in planning welfare work.

MORAL INTEREST

The instinct of self-realization has developed into the interest of self-realization, which is known as the moral interest. This moral interest is an interest in well-being, or in well-doing, as being is in this sense a process of doing. In a condition of well-being, or well-doing, all of one's interests, both egoistic and altruistic, would be developed in proportion to his true needs. All of these interests would be satisfied with due regard to the well-being of the organic individual whole, of which they are characteristics. It is a condition in which one gains a harmonious satisfaction for interests which have been developed in proportion to needs.

Moral acts are acts which concern the social well-being. Acts which affect the efficiency of any individual member of society, affect the well-being of the

society of which he is a member. Society must see that its various members keep themselves in a condition to render efficient service, just as a person must see to it that his various organs are working properly. Hence society lays down rules to which the behaviour of the individual must conform.

The moral judgment is the judgment of society, which has followed and handed down, in tradition and custom the best judgments of the moral leaders of the past. This judgment voices the collective racial experience as to acts which tend to hinder or promote the individual and social well-being.

By our instinctive endowment we are sensitive to the praise and blame, or approval and disapproval of our fellows and conform largely to their will. Those who do not so conform are penalized in various ways. Through suggestion and imitation we accept the maxims and traditions in which are formulated the racial experience as to what is good or bad.

One gets his ideal of conduct as a suggestion from others. When he comes to see that this ideal aims at the true co-ordination of collective and individual welfare, he may strive to promote this welfare, regardless of the collective approval, or disapproval, of his acts.

The sentiments and impulses, which give force to the moral ideal in controlling conduct, have developed under educational influences from various altruistic and egoistic, instinctive tendencies. The moral ideal may thus be conceived as developing

from impulses and capacities which have their origin in the Eternal Consciousness or Divine Spirit which is manifested in us.

The Universal Will to Live manifests itself in all living things. Its impulsive force becomes manifested along the lines of the various instinctive tendencies. In our conscious experiences we become aware of these native impulses and capacities. As experience develops, intelligence furnishes guidance in efforts to seek satisfaction for them. But the form into which the moral personality develops is determined mainly by social agencies.

The instinctive predispositions have been developed in the course of evolution as a means of promoting well-being. They are tendencies to feel and act in a certain way in regard to things which concern well-being. When one becomes aware of this concern with a thing, he experiences a desire and an impulse to strive for it, or an aversion and an impulse to strive away from it, according to whether it concerns his well-being favorably or unfavorably. The person is said to have an interest in the things which thus concern well-being.

The things which concern well-being similarly are arranged in a general class. General lines of concern come to be recognized. Around each line of concern, of which one becomes conscious, is organized a system of tendencies to feel and act. The habits of responding to such classes of objects with co-ordinated tendencies to feel and act, are known as

interests. When an interest has been formed, as soon as an object is recognized as belonging to the general class, it arouses the desire and impulse characteristic of interest.

The individual is said to be adapted to his environment by his instinctive tendencies. However, these tendencies seem rather to be the agencies by which the environment is made to promote the satisfaction of the individual. The instincts act as guides before experience has been sufficiently developed to deal with things which concern well-being by furthering or hindering it. They guide one to the satisfaction of certain needs not yet felt to be such. Where the instincts are lacking in perfection or definiteness, consciousness steps in and undertakes to do what preformed structure has left undone, in the way of making the environment subservient to human interests.

Man grows gradually into a consciousness, or realization, that certain classes of things concern his well-being in certain ways. The ends toward which the instincts impel one come to be formulated as aims or purposes to be desired. The line which the development of the individual actually follows is a resultant, or mean, of two component factors. The two factors determining development are instinctive endowment and educational influence.

When the conscious realization of concern is awakened, it takes the form known as interest. Conscious processes are interesting when some ca-

pacity of the self is finding satisfaction in the activities. Man is impelled to action through a conception of himself as satisfied as the result of action. The foretaste of satisfaction, which arises from representing or picturing one's self as having gained the object, or attained the interesting or desired end, arouses the impulse to the action and leads to such a rearrangement of conditions as will bring about the anticipated satisfaction.

TWO MEANINGS OF INTEREST

The word interest is used in two different senses which should be distinguished from each other. In the wider meaning of the term, one is interested in all that concerns his need or welfare, though he may not be conscious of the concern. In this sense one may ignorantly do a thing contrary to his interest, if he is unaware of the effect the act will have on his well-being.

In the psychological sense, an interest is a conscious realization that a general class of things concerns one's need or well-being. The feeling of interest varies with the importance attributed to the thing as a means of affecting the well-being favorably or unfavorably.

The consciousness of favorable concern arouses a feeling of pleasure, a foretaste of the satisfaction to be attained, and a striving or impulse to attain it. This complex state is known as a desire.

The consciousness of unfavorable concern arouses

a feeling of pain, a foretaste of dissatisfaction, and an impulse of aversion, or a striving away from.

CLASSIFICATION OF INTERESTS

The experience of the race in working out the due co-ordination and satisfaction of the various interests has found that they may be dealt with most conveniently, in theory and in practice, when they are grouped in a few important classes.

In the fully developed consciousness, an interest as a motive impelling to action, will be found to have two aspects. In one aspect it is an interest in a special line of activity. In another aspect the special line of interest is a manifestation of the general interest in self realization which includes all other interests.

The all pervading and all inclusive interest in self realization or well-being, manifests itself in the moral interest. The moral interest is the interest in correlating and co-ordinating the special lines of interest. The special lines of interest include politico-legal, philanthropy, sociability, health, knowledge and educational skill, wealth, beauty, vocation, family and home and recreation.

The interests are the ends which the instincts serve, brought into clear consciousness, and developed into habitual lines of desiring and striving.

MORALITY—THE MAJOR INTEREST

The interest in general well-being, or in properly

co-ordinated satisfaction along the various lines of interest, is known as the moral interest. The feelings of interest which attach themselves to matters which concern general well-being, or self-realization, are known as feelings of oughtness, or obligation.

The feelings of rightness and wrongness attach themselves to acts which tend to further or hinder general well-being. These feelings are manifested at first as blind instinctive impulses. They predispose one to do the right act and not to do the wrong one.

Through educational development, which is guided by social influences, the feelings of obligation, or oughtness, tend to lose their blind instinctive character. As experience develops, one gains the ability to appraise the tendency of the acts to hinder or further general well-being. Wrong acts are seen to be acts which have bad results. Right acts are those which bring good results. However, the obligation feelings to which judgments of rightness and wrongness give rise, still retain their instinctively imperative character.

Goodness means fitness to promote well-being. A thing is good only as it is good for something. It is good only when it is adapted to serve as a means of attaining a good purpose. Goodness can be estimated only in relation to the end to be served. Good and bad things are things which have a favorable or unfavorable bearing on well-being.

The enlightened conscience aims at a progressively realized state of well-being, to be brought about through a happy adjustment, or co-ordination, and satisfaction of the egoistic interests, which have regard for self, and of the altruistic interests, which have regard for others. It aims to harmonize the various interests of the individual and the interests of society so as to achieve a higher and richer life for all. Conscience aims to bring the interests of the individual into harmony with the great social will, and with the Universal Will of which it is a manifestation.

Moral principles arise from the recognition that acts concern both individual and social well-being. They are general principles to which acts must conform in order to promote this well-being. They are rules for playing the game of life. The moral virtues are habits of acting in accordance with moral principles.

The principles to which acts should conform, in order that they may be regarded as moral, include, among others, honesty, truthfulness, fidelity, loyalty, justice, mercy, courage, industry, thrift, frugality, temperance, chastity, modesty. They are the principles by which impulses to action along the line of the various interests should be appraised, to see whether they should be held in check or strengthened.

PHILANTHROPY INTEREST

From the various predispositions to perform actions which promote the well-being of others has developed the interest in philanthropy. This interest has its roots in gregariousness, the parental instinct, the tender emotion, affection, sympathy, cooperation, loyalty to group interests, filial devotion, respect for others, self-subjection, religion, etc. It is the interest in rendering social service for which no service, or means of securing service, is to be received in exchange. This distinguishes it from business, which is the rendering of service for a consideration.

Many confuse philanthropy with the moral interest. However, philanthropy is merely one among several lines of well-doing with which the moral interest is concerned. The philanthropy interest must be co-ordinated and correlated with the sociability, health, education, wealth, beauty, recreation, vocation, family and home, and politico-legal interests, in accordance with moral principles. One is under obligation to develop and exercise his own capabilities along all these lines. He is also under obligation to provide, through exercise of his philanthropy interest, that others have opportunity and incentive to develop their interests along the same lines. The moral interest is coextensive with life interests.

POLITICO-LEGAL INTEREST

The politico-legal interest aims to render service to the individual and to society through organized co-operative effort. The political organization is the machinery employed for rendering this service. Through legislation the legal interest aims to enact the laws which will establish the form of organization which will be most efficient in promoting individual and collective well-being through co-operative effort.

The legal interest also aims to make laws which record the consensus of moral judgment, to establish judicial machinery to apply this judgment to concrete cases, and to provide for executives to enforce the judicial decisions.

FAMILY AND HOME INTEREST

The family interest aims at promoting the various interests of those for whom conjugal, or parental, or filial affection exists. The members of the family are interested in the home as a means of satisfying a great variety of interests.

Service to the home and family is the vocation of a large majority of women. It also makes large demands on women who have other vocations, and on all normal men.

The home interest embraces all the activities which aim at the well-being of the members of the home and all the things with which these activities

are concerned. The home and family interest is concerned with things pertaining to domestic economy and domestic art. Among them are wholesome and appetizing food, architecture, heating, ventilating, and lighting, domestic art, decorations, furnishing, sewing and various forms of household activities which it is hardly necessary to mention. The home interest embraces all the home activities which aim at the well-being of the members of the home, and all the things with which the attainment of this well-being is concerned.

SOCIABILITY INTEREST

This interest impels one to strive to secure personal recognition along social, civic, political, business, and other lines. It gives rise to the ambition to be esteemed and reckoned with by one's fellows. Whatever gives one advantage in competition with others, or in influencing and leading others, or makes him looked up to, admired, or considered by others, appeals to this interest and will be desired when the social advantage to be gained by means of it is made clear.

For example, a new fashion is taken up as a means of securing social recognition, or prestige. What makes one appear well dressed is desired as a means of securing recognition from his business associates. See the discussion of "Fashion" in the "Psychology for Business Efficiency". Posting the names and records of the men who do the most ef-

fective work in a factory may stimulate others to do much better work in order to secure such recognition. This appeals to the instincts of emulation, rivalry, and self-assertion, which are elements of this interest.

HEALTH INTEREST

The health interest attaches itself to anything which prevents or cures disease, or prevents accident. It is concerned with wholesome food, water, light, ventilation, dwelling place, conditions of labor, physical culture, and athletics.

EDUCATION INTEREST

The educational interest is concerned with whatever increases knowledge, or wisdom, or makes for efficiency in economic, social, or political activities, or enlightens one as to a better means of self-realization along the line of any recognized interest. It makes for culture as its ideal. Culture is knowledge, appreciation, and utilization of the things which give enduring satisfaction.

ÆSTHETIC INTEREST

This is generally known as the interest in beauty. It is concerned with such things as the theater, literature, music, painting, sculpture, architecture, landscape gardening, beautifying the person, the home, and its furnishings, and surroundings, and with the beauty of natural objects, etc.

WEALTH INTEREST

The wealth interest aims at mastery of the material environment. Whatever increases ability to earn money, or save money, or reduces expenses, appeals to this interest.

It is a superficial and false ideal which makes the pursuit of wealth the supreme end in life. The attainment of wealth is not a true criterion of success. The amount of wealth attained is only one among several elements which must be taken into consideration in estimating business success. Riches acquired without adequate beneficial service rendered to others, in return for the wealth secured, is exploitation. It departs from the principle of the square deal, and is bad business.

The attainment of business success is only one element involved in attaining broad human success. The attainment of wealth is desirable mainly as a means of securing satisfaction along other lines of self-realization.

Two motives contribute largely to the effective performance of the economic activities of business. One motive is to meet the demands for service to the well-being of others, which the business aims to satisfy. This is the vocational interest. The other motive is to provide the means of satisfying not only the economic interests of the worker, but also his æsthetic, educational, sociability, health and recreation interests as well. The economic, or wealth,

interest is only one of several belonging to the same general class. These interests are manifested in many sub-varieties and combinations. The moral interest aims to so co-ordinate their various activities that all will receive a degree of satisfaction such as will make them contribute duly and harmoniously to collective well-being.

VOCATION INTEREST

In one aspect, the vocation interest is an interest in rendering to others service which will promote their well-being. The vocation interest aims also to make the rendering of service to others, a means of securing the things which will promote one's own well-being. The two motives working together aim at a mutually advantageous exchange of services, or of means of securing service.

Every one may rightly demand the satisfaction of his own interest in well-being, provided he renders an equivalent service in promoting the well-being of others.

Most people are under the necessity of making a living, in order that they may be able to meet their obligations to enrich the well-being of themselves and others. Vocational activities are directed along certain specific lines largely as a result of the fact that efforts to satisfy the needs must be correlated and concentrated along rather narrow lines, in order that they may become efficient and deserve and receive reward.

Work which is taken up merely because it affords an opportunity to make a living may lack qualities which are very essential to the satisfaction of the vocational interest. In order to gain due satisfaction for the vocational interest, one should specialize his efforts along some line in which he feels he is rendering value received to others in return for the compensation he receives for his work. Vocation should be chosen along lines of fitness to serve, not merely along the lines in which it is possible that the greatest financial returns may be secured for serving. The feeling that the activities are worth while helps make them interesting. The satisfaction which comes from doing worth-while things is one of the greatest rewards that service can gain.

Vocation means a calling to render service to others along the line for which one's abilities best fit him. The choice of a vocation is the selection and devotion of one's self to activities one feels called upon to perform. To be truly vocational, the activities should be interesting. The achievement of their end should bring satisfaction. An occupation which meets the demands of one's nature, and in which one's aptitudes and abilities fit him to be successful in rendering service to others, is the greatest source of lasting happiness.

Work which really meets the demands of the vocational interest may at first be neutral in feeling or even distasteful. Yet if the occupation, as a whole, is really felt to be worth while, much of the

work will take on an acquired interest. It is more than likely that work, which as a whole satisfies the requirements of the vocational interest, will always be found to involve distasteful, or painful activities.

When one has chosen his vocation, he should say to himself: "This is my job. It is up to me to do it, or to be done for. I will do it."

Practical necessity usually compels one to confine his vocational activities to a rather narrow line. His vocation can not afford satisfaction along all the lines of his interests. It must be regarded as the means of securing that which can be used to secure satisfaction along avocational lines.

One's vocational activities do not completely fulfill his obligations to render service to others. Part of one's serious efforts at self-realization must be devoted to rendering service to others, for which the only compensation is the satisfaction resulting from the consciousness of the service rendered. One must render a vocational service to others, as individuals, and as members of family, political, civic, and other social groups.

To successfully perform serious work of the more important sort, intense voluntary concentration must be maintained for a considerable period of time. Such work involves dealing with theoretical or practical problems which must be solved in order to promote well-being. The problem may be concerned with adapting or employing external means to satisfy a felt need. Or, the problem may be of the in-

tellectual sort which aims at satisfying the felt need for orderliness and consistency in our knowledge.

Being thwarted in the solution of a problem gives displeasure and adds to the fatigue of the work. A satisfactory solution of a problem, or the consciousness of progress toward a solution, gives pleasure. Such pleasure plays a wholesome part in the economy of life.

Even when work is rich in the amount of such pleasure it gives, it finally becomes fatiguing and demands periods for recuperation and recreation. The fatigue and the need for means of recuperation are much greater in lines of work which are largely routine and disagreeable in character.

WORK AND THE NEED FOR RECREATION

Work that is full of interest and pleasure finally becomes fatiguing and demands periods for recreation. Life grows wearisome as it follows the daily grind of routine in shop, or store, or home, even if the occupation, on the whole, is congenial. Such work may grow repulsive, if persisted in too long without interruption.

The dull rounds of some forms of monotonous toil become deadening in their humdrum influence. One may become so desperate as to be ready to resort even to crime to break the monotony, if no other means is available. Even if sufficient leisure is provided for rest and sleep, they alone are not sufficient to restore the exhausted energies of one employed

in the more deadening occupations. Such a person can not come back to work with a wholesome feeling, unless some form of recreation is provided.

One employed regularly at a congenial occupation will have many interests not sufficiently exercised in his ordinary work. He will become conscious of the need of satisfying these interests.

The brain cells corresponding to various developed interests should be stimulated, to use up the accumulated energy. In this way alone can the capacity for supplying energy be kept in efficient working. Atrophy, or wasting away of capacity, follows disuse.

A disagreeable emotional tone arises from developed interests which are denied wholesome stimulation and satisfaction. A similar feeling results from interests so stimulated that an undue amount of energy is used up. Such an unpleasant emotion spreads a disagreeable feeling over vocational or avocational activities, which would otherwise have an agreeable tone. When work is monotonous or disagreable, the unpleasant feeling, arising from the understimulated or overstimulated interests, may add to the dislike for it to such an extent as to make it practically unbearable.

RECREATION INTEREST

The recreation interest plays a very important part in the activities of a well ordered life. This interest demands that vocational and avocational work

must not be allowed to fill all one's time. One must have time to engage in the satisfaction of other interests. One must also have opportunity, and proper stimulus and incentive, to insure the exercise of otherwise neglected interests.

Recreation may be satisfactory in character, though it does not fully exercise all one's interests outside his regular line of work. Practical considerations generally make it necessary for one to seek his recreation along rather narrow lines of interest. The instinctive impulses leading to recreational activities thus become systematized by habit along special lines, such as the theatre, music, art, literature, travel, games, sports, dancing, social functions, study, forms of manual work, etc.

Recreational activities should appeal to existing interests not sufficiently stimulated in ordinary work. They should have the character of novelty and contrast, when compared with regular vocational and avocational work. They should arouse adequate but not excessive activity. They should give rise to a pleasurable feeling which tends to persist as a permanent emotional tone. Recreation should also provide for bodily exercise of a sort and kind necessary to keep the various organs of the body in good working condition.

The agreeable emotional tone aroused by activities which meet these requirements will displace the disagreeable feelings resulting from the deadening routine of work, or from fatigue, or lack of proper ex-

ercise and satisfaction of developed interests. This pleasurable feeling pervades the conscious processes involved in ordinary work, and adds to the efficiency of the efforts.

Proper recreational activities facilitate the gaining of energy during the periods of rest, and create conditions favorable to the performance of the various physiological activities which make one efficient. To be classed properly as recreational, activities must re-create, or create again, one's powers of body and mind.

Exercising interests involved in regular work, along different but more pleasurable lines, may be recreative in character, if the demands on the interests have not already been too great. The professional baseball player may find recreation in playing golf. One whose work is routine and not too fatiguing may seek recreation in matters involving close concentration of the attention and sustained mental effort, and vice versa.

The instinctive demand for recreation is one of nature's provisions for keeping alive and developing, through exercise, capacities which would otherwise die. It is also a provision for renewing the waning powers of mind and body, and keeping one's working efficiency up to the standard.

The gregarious instinct is a strong impelling force in choosing the forms of recreation. It leads one to seek his recreation in the company of others. The sympathetic instinct also leads one to seek to share

the emotions of others and to share his emotions with them.

The play instinct plays an important part in the development and form of recreational activities. It, and many other subjects, taken up briefly, in this book, are discussed more fully in the author's "Psychology for Business Efficiency."

The recreation interest may be concerned with satisfying any one, or several, of the other interests previously mentioned. The end to be gained in doing a thing as a means of satisfying the recreation interest is different from the end sought in exercising the interest as part of the regular work of life. Yet one who understands the true nature and function of recreation, can often find, or make, much of his daily work recreative in character.

Almost any line of activity may be undertaken as a means of securing recreation. Many things are sold almost solely for recreational purposes.

One who is selling an automobile, for example, as a means of recreation will have to talk along quite a different line from one who is selling an auto truck as a means of satisfying the wealth interest. The recreational interest aims at novelty, contrast through change of scene or form of activity, restoration of mental and physical energy used up by serious work, and the displacement of a disagreeable or neutral, or less pleasurable state of feeling by a pleasurable emotional state; all of which tends to bring about a well-founded assurance of mental and

physical fitness. The seller of an automobile may also, of course, appeal effectively to the sociability and other interests.

The things with which the recreation interest are concerned are innumerable. They include the theater, music, literature, lines of study, art, games, travel, hunting, fishing, social activities, constructiveness applied in various manual occupations, agriculture, athletic sports, swimming, boating, etc.

CORRELATION AND CO-ORDINATION OF INTERESTS

Every one has philanthropy, politico-legal, sociability, health, education, wealth, beauty, vocation, recreation and family and home interests. He also has a moral interest which impels him to strive for self-realization along the lines of all these interests. He is under obligation to have due regard for the other interests while seeking satisfaction for any particular interest.

As a matter of fact, as a result of deficiency in natural endowment or of imperfect educational development, one may not strive for the satisfaction of his various interests in such a way that each will contribute its part, harmoniously with the others, to the promotion of his general well-being.

One may not have shown due regard for his interests in choosing and pursuing his vocation. He may be held by deeply ingrained habit to seek excessive satisfaction for certain interests. In such a case, certain interests will have been neglected so that they have not developed properly, or so that they have died out from lack of exercise.

Health may be knowingly disregarded in the struggle for wealth or pleasure. Or one may struggle according to his light, but he may not have been fully awakened (or may have gone to sleep) to the

importance of the realization of his interest in certain lines. One may be alive to the importance of physical well-being, yet he may not clearly realize the importance of a certain factor as a means of impairing or improving physical efficiency.

Success in attaining satisfaction for one's vocational interest in a business, professional, scientific, artistic, political, or other career can be secured only through a long-continued concentrated process of thinking and striving.

The aim in the background of consciousness holds one continuously to a definite line of effort. The satisfaction resulting from the partial successes achieved, and the foretaste of a fuller satisfaction to be obtained from the still greater successes one believes he can achieve, spur one on to greater and more concentrated effort. One sets his eye on the end to be reached and struggles on, stimulated rather than daunted by obstacles, unrelentingly toward his goal.

The business one builds up in this way becomes flesh of one's flesh and blood of his blood. It grows to be another part of himself. Such an one is always in danger of becoming intolerant of interest in everything that does not pertain to his business. He is hypnotized by concentrating his attention on the fascinating lure of a great vocational success.

One is justified in making his vocation a major interest in life. But he is ever in danger that his vision will be so short in range and narrow in scope

that he will wake up some day to the fact that he has been merely making the means for securing a living. He may come to realize, when it is too late, that he has lost for all time the greater opportunity of making a life rich in the nobler, more significant, more abiding elements of joyous satisfaction.

He has become hardened, narrowed, and unsympathetic. He has failed to gain the satisfaction to be derived from disinterestedly serving the well-being of others, from the unselfish friendship, from broad interest in learning, in literature, art, health, and life-giving recreation.

The supreme interest in life is the interest in symmetrical, harmonious, many-sided development, known as self-realization. One should be ever on his guard against exalting into a position of supreme, if not sole importance, one of the interests which should really be subsidiary to the interest in being a fully developed person. In the strenuous drive for great achievement, interests of vital importance are likely to become stunted or atrophied because they have no chance to develop through exercise. Eternal vigilance and effort, alone, will enable one to avoid sacrificing the richer, nobler self on the altar of a narrow success.

While many fail in this way, many more fail because they weakly follow the course of least resistance. They take a spineless, purposeless attitude toward life. They need to feel the spur of great ambition.

This discussion must have made it clear that there is a very complex correlation between the interests as they habitually manifest themselves as desire in the ordinary individual.

INTEREST, DESIRE, VALUE, AND PRICE

Interests are habits of attending, thinking, feeling, desire, or aversion and striving away from or striving toward certain classes of objects.

A desire is both a painful sense of **something** lacking and a pleasurable foretaste of the satisfaction to be derived from securing the thing which will supply the lack. The foretaste of satisfaction is usually the more prominent or focal element in the desire. In this case the painful element will be found occupying a more or less prominent place in the margin. However, the painful element may be in the focus and the pleasure to be gained in the margin of consciousness. Each heightens the other by way of contrast. Both together give strength to the desire.

The desires have normal strength, and the values attributed to the things are normal values, when they are proportional to the various services the desired things will render in promoting well-being, or harmonious self-realization, in which all the lines of interest are satisfied in due proportion. Desires are normal when they are proportional to the intrinsic value of things. By intrinsic value we mean value in promoting general well-being. Desires and valuations are subnormal if they fall short when measured by this standard. They are inflated to the

extent that they are in excess when measured by that standard. Inflated value and desire, and subnormal value and desire, are abnormal. Desire and valuation are perverted when the desire is attached to, and value is attributed to, a thing which does not contribute to well-being. Intrinsic value results from the possession of qualities which fit a thing to serve as a means of contributing to normal satisfaction of interests. By normal satisfaction is meant satisfaction, the value of which is appraised by applying the norm of self-realization.

Commercial valuation, or determining the price one can afford to pay for a thing, is arrived at by determining the balance of gain or loss in well-being which will result from the expenditure, or amount of the service, or its equivalent means of securing satisfaction, which is required to be given in exchange for the service in promoting well-being which will be gained by securing the desired thing.

The intrinsic value of a thing can not be made the basis for determining the price which may rightly or fairly be asked for it. A man of great wealth might conceivably be placed in circumstances such that a drink of water, or a supply of fresh air, or something to eat, would be of more value to him than all his wealth. In such a case, one who supplied the water, air, or food would not be justified in requiring all the man's wealth in exchange for it, if supplying it involved very slight sacrifice on his part. One who supplies a need is entitled to payment, not

in proportion to the extent of the need, but in proportion to the services which must be rendered in order that the need may be supplied.

The price asked should not be in proportion to the value of the serviceable thing offered for sale. It should rather be estimated on a basis of securing a fair return for all that is contributed by the services rendered in making the serviceable thing available. Such contributions may be made in preparing the raw material and in the industrial processes of manufacturing it, in furnishing capital to carry on the industry, and ability to organize and manage it; or in transporting or selling the raw material or finished product. All who render service in any of these lines are entitled to a fair compensation. Price should be based on the cost of producing and marketing, and should allow a fair margin of profit to all rendering services in these lines. All parties to the exchange should profit by the transaction. Price not based fairly on the service rendered in producing and marketing has been inflated through control, or reduced through competition.

It is extortion, exploitation, or perversion, and is essentially fraudulent if, through monopolistic combination, or other acts in restraint of trade, or through misrepresentation, or overpersuasion in selling, one exacts an unearned increment of profit. Any unnecessary inflation of prices, or any disproportionate stimulation of interest, or any perversion

of interest, is bad business, and hence is bad salesmanship.

Governments grant to inventors a monopoly lasting for a few years, in order to reward them for the benefits they have conferred on society in making the invention and to stimulate the production of inventions.

Continual success in business depends primarily on maintaining the good will created, through lowering the cost of production and price and increasing the serviceability as much as the highest efficiency and fair returns for services rendered will permit.

The salesman should set forth clearly the normal value of the thing. It is his duty also to see that the price secured is not based on the serviceability of the thing, but that it is fairly proportionate to services rendered in making the serviceable thing available. A sale is dishonestly made when the price received is knowingly greater than the normal serviceability of the thing sold. When salesmanship secures a price in excess of normal serviceability, it is guilty of exploitation. When salesmanship secures a price which does not properly pay for services rendered in producing and marketing, it is guilty of inefficiency.

TRUTH, THE IDEAL OF SELLING

Truth, as the ideal of the Associated Advertising Clubs of the World, requires on the one hand a truthful and adequate setting forth of serviceability in promoting well-being. On the other hand, conformity to the ideal of truth demands that the price asked must be fairly proportioned to the services contributed in producing and marketing. This is the ideal to which all salesmanship should strive to realize.

"Caveat emptor," let the buyer take care, can no longer control in modern marketing. Good will is based fundamentally on honest and efficient service. The continued prosperity of a business depends on good will.

Producers and consumers, as a whole, are mutually dependent on each other. Good business has regard to the well-being of both parties to every business transaction. Benefits and the rendering of services must be mutually advantageous, in order that capacity to produce and capacity to consume may develop equally.

Truthfulness in salesmanship consists in setting forth adequately the article's serviceability to the person to whom it is sold. The truthful salesman will not understate, or overstate, or exaggerate this serviceability. He will not exact or take from the

customer more than a fair price for the service the article will render to him. Such truthfulness is demanded of salesmen in accordance with the moral principles which apply to all walks of life.

Truthfulness in selling is not an obligation arbitrarily imposed on a salesman. It is the only foundation on which permanent business success can be built. Efficient salesmanship must render a service which creates confidence and begets good will. It is not sufficient that the salesman honestly believes that the sale he makes will prove satisfactory. He must have such knowledge of the serviceable qualities of the thing he sells, of the general demands of business, and of the requirements of the buyer that he will be able to make satisfactory sales.

The salesman who renders the best service as a business-builder will carefully avoid making sales that do not render profitable service to the interests of the buyer. He must know the truth about the value-giving qualities of his article. Without exaggeration or distortion he must present this truth to the buyer.

The salesman, to a certain extent, relies on the confidence and good will of the buyer, on suggestion, on personality, on tactful approach, on pleasing delivery of the selling argument, on wording the selling talk in such a way that it will have great effectiveness in arousing emotional activity and volitional impulses which tend to close the sale. It is proper that the salesman avail himself of all the effective

aids to selling. Such means are employed legitimately only so far as the salesman sees to it that, in making the sale, he is profitably serving the interests of the buyer.

The salesman may properly resort to an appeal to various emotions and to suggestion to action to get the buyer to accept the estimate the salesman puts on the service the value-giving qualities will render, provided the salesman's estimate is fairly proportional to the satisfaction the buyer will derive from the purchase. It is also true that the purchase must not involve undue sacrifice of other interests.

It is the salesman's duty to get a fair return for the service rendered. Getting more in return than the service rendered is worth, is not salesmanship. The seller is working a confidence game. He is obtaining money under false pretenses.

The article will render full service to the consumer, only as he has clearly in mind the service the value-giving qualities of the article fit it to render. Even if the sale is made largely by emotional appeal or by suggestion, the salesman should see that the buyer is correctly informed about the article. The salesman should make it a point to show the buyer how to get the serviceability out of the article, even if the sale can be made with less effort than that requires.

In selling to a reseller, the salesman can often make clear the best methods of merchandizing, of financing, and of creating good will. He is entitled

to adequate return for such service. However, the return should come in the increased profits which come from the increased market for the goods.

AWAKENING LATENT NEEDS

A market is a class of people whose needs and interests make them possible consumers, and who have sufficient means to enable them to purchase when the latent desire has been sufficiently stimulated. The market may be increased by stimulating desire; or by lowering the price so that a larger number will be able to spend the amount required to secure the satisfaction for their desires.

Men are not intuitively aware of their real needs. The existence of the need must be made clear by educational means. It is necessary to undertake consciously and systematically to develop latent capacity into an active tendency to desire.

The salesman and the advertiser perform an important educational function in creating desire. The awakened desire to satisfy the need one is thus made aware of, stimulates him to develop greater efficiency in serving the needs of others in order to get the means of satisfying his own desires. The desires thus awakened by the salesman and advertiser stimulate the men in whom they are awakened to more efficient service and thus increase production in other lines.

AROUSING DESIRE

Success in selling depends on finding what interests of the consumer are concerned with the goods so that appeal may be directed to them in such a way as to arouse desire. It will depend also on wisdom in selecting the qualities of the article which give it value as a means of satisfying desire; and on skill in presenting these value-giving qualities in such a way as to create desire for the article and arouse an impulse to buy it. The tendency to buy may be strengthened indirectly by anything which strengthens the desire. It may be strengthened directly by suggestion, or command, which stimulates the impulse more strongly.

No strong desire to possess a thing can be aroused unless an appeal is made to some form in which one of the instinctive or developed interests is manifested. When an interest exists vividly in the psychological sense, that is when one is keenly conscious of the need, all that is required to arouse desire is to show that the thing is a serviceable and available means of satisfying the need.

When the interest exists merely in the broader sense in which the fact of the need is not recognized, the salesman's task is to make clear the extent to which the well-being is concerned with the thing offered for sale.

The salesman must determine whether it will be advantageous to awaken the impulse of striving away from the unsatisfactory condition of affairs, as well as the impulse of striving to gain the satisfaction to be secured by making the purchase.

When the demand already exists but the sense of something lacking is a familiar and tolerated sore, it may be necessary to dig into the tender spot and irritate it afresh, to give it potency in impelling to action. People become dulled and apathetic to old needs which they have had little hope of being able to satisfy. To arouse such a person to action one must not merely kindle the hope anew. He must reawaken keen antipathy to the evil which has come to be regarded as necessary and to be ignored. He must also awaken a foretaste of the satisfaction to be gained by securing the article. He will then have created a desire in which the impulses are both pushing and pulling one on to buy the thing.

A desire is an impulse to action as well as a feeling. The impulse is carried out into action when one sees his way clear to securing the means of satisfying the interest from which the feeling and impulse arise.

The means of satisfying a need is a want. Desire and want, and demand and supply, are similar pairs of similarly related terms.

The reader who wishes to gain more insight into the bearing on salesmanship, of processes and factors of thinking, feeling, and acting will find addi-

tional matter in the author's "Psychology for Business Efficiency." See especially the topics, "Fashion," "Leadership," "Creating Good Will in Business," etc.

The things with which the various instincts and interests are concerned will be discussed more fully in the "Psychology of Advertising." So will the various instincts and interests which may be appealed to most effectively in selling various things. See also the adapting of the selling appeal to the existing form of the interest.

SUGGESTION AND IMITATION

In the broadest meaning of the term, suggestion is the process by which a person is caused to experience an emotional state, to accept a proposition as true, or to perform an act, without giving adequately deliberate consideration to the grounds, or reasons, or evidence for or against the suggested act, feeling, or opinion thus accepted. Such a suggestion may come from the words, or expression, or acts of another person, or persons, or from material things.

Suggestion in the above sense may be known as hetero-suggestion to distinguish it from auto-suggestion. Auto-suggestion is the process by which one influences the physiological processes of his own body, or his own feelings, ideas, or volitions. Some of the applications of auto-suggestion will be made clear in the chapter entitled "Developing Character and Personality." Auto-suggestion and hetero-suggestion are both discussed more fully in the author's "Psychology for Business Efficiency."

The suggestion we are here concerned with is hetero-suggestion. The prefix "hetero" will be omitted in accordance with the general usage.

The acceptance of a suggestion is technically known as imitation. Suggestion and imitation are two aspects of the same process.

In studying suggestion, attention is directed to the characteristics or qualities which fit the stimuli to bring about the result. One also studies the processes in accordance with which the stimuli work in bringing about the result.

In studying imitation one analyzes the processes taking place in the mind of the one influenced by the suggestion. He considers the qualities or traits of character that determine the sort of imitative activity which results from the suggestion.

In order to use suggestion effectively in practical salesmanship one must understand the instincts, interests, habits and other mental processes of the customer, and must select appropriate suggestions and employ them in such a way that they will bring about the desired results.

The following discussion considers the problem of putting to practical use the suggestive-imitative process, in which the salesman employing his selling talk, solicitation, or appeal as a suggestive force, endeavors to secure the imitative response which takes the form of making the purchase.

It must be borne in mind that the term imitation is used here in the technical sense explained above. In this sense, imitative acts include all acts that are performed without giving, before their performance, adequately deliberate consideration to the reasons for or against the performance. Imitation includes all acts performed as the result of an appeal, excepting such as result from fully reasoned

choice or demonstrated truth. One might be said to be "suggestioned" into doing such acts, if our language permitted such a term. In the absence of a more appropriate term, the word "imitative" must be used in a technical sense to describe such acts.

The imitation which follows suggestion is usually not an exact copy, or replica, of the mental state or action imitated. Generally the response to the suggestion is modified or determined to some extent by the native or acquired predispositions of the one "suggestioned." Some element of self-expression usually appears in the imitation.

Imitation and suggestion have been treated more fully in "Psychology for Business Efficiency." See also the subjects "Fashion" and "Fads" in that work.

FACTORS OF SUGGESTIBILITY

When the idea of doing a thing to which one is predisposed by instinct, or interest, or habit, gets into mind so that the attention is centered upon it the actual doing of the thing tends to follow as a matter of course, unless the act is prevented, or as it is technically described, is inhibited by another idea obtruding itself on the attention.

If one is offered something to eat between meals when he is hungry, he experiences an impulse to accept it. However, if it occurs to him that eating the proffered food will spoil a good dinner coming later, or will cause indigestion, the idea of the undesirable

consequences of the act will hold in check, or inhibit, the strong impulse to eat.

The awareness of a situation which concerns the satisfaction of our instincts, or interests favorably or unfavorably, tends to bring about behaviour adapted to deal satisfactorily with the situation. Capabilities acquired innately and developed by experience come into play. The situation is handled as native and acquired aptitude have fitted us to deal with it. Responses have become largely habitual.

The feelings and emotions manifested in the behaviour of others arouse similar emotional states in those who observe this behaviour. Fear and joy and sorrow are thus aroused by suggestion. In this way the confidence, enthusiasm, and good will animating a salesman are manifested in his behaviour, and tend to arouse like states of mind in the man whom he is soliciting.

One who closely watches the acts another is performing will tend to perform similar acts. One person on the street looking up will cause many others to look up. The idea of the act tends to pass over into the performance of the act.

We are all influenced by the volitional aims manifested by those around us. The direct command and the obedience to the command is an illustration. So also the suggestion to any line of action as desired and the compliance with the suggestion. In such suggestion and compliance the instinct of self-assertion is manifested in the one

who makes the suggestion, while the instinct of self-subjection is manifested in the acceptance of or submission to the suggestion.

If the one making the suggestion is looked upon as having prestige or authority, that fact tends to bring about compliance with the suggestion. The impulse of self-subjection is aroused. A state of increased suggestibility is induced. This state is aroused by those who make an impression of having power, wealth, great physical strength, large size, social standing, expertness, etc. A similar effect is produced by a reputation for intellectual superiority, or for great skill in any line, or even by the mere fact that fine clothes are worn.

Anything giving the impression that the one making the suggestion desires to promote the well-being of the one to whom it is made, tends to secure compliance with the suggestion. Anything which gives the impression that the maker of the suggestion aims to further his own selfish ends, leads the recipient of the suggestion to resent it and to refuse to carry it out. In this case the suggestion arouses the instinct of self-assertion.

Qualities which tend to promote well-being are called positive. Qualities which hinder well-being are called negative. The manifestation of positive qualities of character gives effectiveness to the appeal, and vice versa.

Certain things were mentioned above as factors which arouse the instinct of self-subjection and in-

crease suggestibility. When the opposites of these factors are manifested, they arouse the instinct of self-assertion and decrease suggestibility.

Any state which prevents opposing ideas from being aroused through association tends to increase suggestibility. It is greatly heightened in hypnosis. Fatigue, sleepiness, and ill health would thus tend to increase suggestibility along certain lines. However, they bring on a state of general inertia which makes it difficult to influence one along most lines. The consciousness that one is not in a fit condition to deal satisfactorily with the situation may arouse an impulse to contra-imitation, or to act in a way contrary to the one desired.

Deficiency in knowledge, and lack of organization of knowledge in regard to matters involved in responding to the appeal, are factors which prevent the reproduction of inhibiting ideas through association. Hence, deficiency of knowledge, or lack of organization of knowledge, will make one more likely to be influenced by the suggestion. Stock in doubtful mining ventures is sold, not to experts in mining, but to those who know nothing about the business.

For a similar reason one is inclined to act on an appeal along the line of a strong desire. One who is sick can be easily induced to buy patent medicines. Members of one party are inclined to accept, without much evidence to support it, a story reflecting on the opposition party.

In the appeal of the salesman, several varieties of

suggestion may be co-operating to bring about the response of the man whom he is soliciting. A discussion of some of the more important will follow.

SUBCONSCIOUS IMITATION

The customer may be influenced to action by unconscious or unintentional imitation through contagion by direct suggestion. Such subconscious or unintentional imitation is brought about mainly by the effect of the suggestion on the dimly conscious marginal processes known as the subconsciousness. The suggestion produces its imitative response through the impression it makes on marginal consciousness, while the focal consciousness, which is a large factor in controlling action, is occupied with other things. This form of suggestion arouses impulses and activities which seem to be self-originated. In determining the response to the appeal they co-operate with the desires and purposes springing from the conscious deliberative processes.

Through subconscious imitation one may absorb the ideas and feelings and copy the acts of others when he has no intention or purpose of doing so, or even contrary to his express purpose to refrain from doing so. A northerner living in the south may thus unconsciously catch the southern drawl, or the southern attitude toward the negroes. We may cough, sneeze, or laugh, or yawn merely because someone else does so in our presence, or suggests it by something he says.

When those around us are depressed, discon-

tented, irritable, or pessimistic we tend to have a like feeling. When we are mingling with happy or optimistic people, the world looks brighter to us. This sort of suggestion is often conveyed by very subtle or intangible means, such as the general tone of speaking, the bearing, the expression of the features, etc.

Through this form of imitation, the emotional state of the salesman tends to inspire a like state in the mind of those with whom he is dealing. Hence, the salesman should cultivate the habit of looking on the bright side of things. He should fill his mind with optimistic thoughts. One who appears happy and confident will tend to arouse a similar state of mind in those with whom he is dealing. He will thus favorably dispose them to the acceptance of his proposition.

In many instances the customer will respond more readily to the suggestive influences of the feelings and impulses manifested by the salesman, than he will to the reasoning of the solicitation. Feelings and impulses are directly contagious by sympathetic induction. Through subconscious induction feelings and impulses lead to subconscious imitation. The customer comes to feel a strong impulse to respond favorably to the solicitation. The impulse has been suggested so subtly that he feels it to be self-originated. Closing seems to be an act of spontaneity rather than one of self-subjection to the solicitation of the salesman.

This gives a clew to the type of man who will make the most successful salesman. The salesman who is animated by strong feelings and impulses will be much more successful than the coldly logical man, other qualifications being equal. The mere energy or industry of such a man will not make up entirely for the lack of "pep" or fire of the other sort. Of course, the feelings and impulses must be of the right sort. The salesman should be animated with the spirit of service to the well-being of the customer, rather than with a selfish desire to secure a profit from the sale, regardless of the interests of the customer, or with fear lest the customer may escape without buying.

This sort of suggestion is made partly through the tone of voice, which of course appeals to the ear. The choice and arrangement of words, the attitude or bearing, the gestures, the expression of the face, and the general appearance and behaviour of the salesman have strong suggestive force. Most of the last-mentioned factors, of course, appeal to the eye.

The salesman should take a position so that these sugestive factors can be clearly seen by the man whom he is soliciting. The salesman who retires into the shadow overlooks the fact that a great part of the suggestive force, exerted unconsciously during the solicitation, must make its appeal through the eye of the prospect.

The more clearly the man solicited can see the

salesman, the more he will be influenced by the visible manifestations of magnetic, strong, authoritative, efficient personality. Through such visible influences the salesman can inspire belief in his honesty, good will, and desire to serve. He can thus transmit to his customer his enthusiasm and the confidence he feels in his line. These subconscious suggestions accompanying the selling talk may be regarded as a by-product of the solicitation, but they are very important factors in getting the desired result.

The man who is being solicited should be able to see clearly the suggestions made by the salesman, which appeal only to the eye. However, his attention should not be centered on them, but on the selling talk, and on the sample, or the article, or the demonstration of what is being sold.

The man to whom the selling appeal is being made will unconsciously, in his bearing and expression, make suggestions which reveal the sort of an impression the solicitation is making on him. Hence, he should be seated in plain view of the salesman.

CONSCIOUS OR INTENTIONAL BUT UNREASONED IMITATION

This form of imitation is not necessarily unreasonable. As a matter of fact, the acts to which it leads are generally quite reasonable. They do not spring from a process of reasoning, but they can generally be justified by a process of reasoning. The acts thus performed come under the head of ideo-motor activity. Some instinct, or interest, or desire, is aroused by suggestion. The impulse to action accompanying it, is in the focus of consciousness, and tends to pass over into the appropriate act. The suggestion is made without a supporting reason. If it secures and holds the attention, so that inhibiting ideas are prevented from occurring, it will be carried out into action.

Sometimes a suggestion of this class takes the form of a direct command. It may be made by anything which arouses directly an impulse to action. It is then an appeal. The suggestions a salesman makes in his efforts to close the sale are often of this type.

In many of the simpler forms of salesmanship the salesman relies upon a direct suggestion for which he gives no supporting reason. The huckster cries Apples! Apples! The newsboy yells the name of his paper. Each in this case relies on an associative

process to arouse an impulse to buy in the mind of the hearer. If a huckster calls out an attractive quality of his wares, he attempts to arouse the impulse to buy through a direct suggestion which creates desire.

The newsboy attempts to arouse desire and impulse to buy when he calls "All about the suicide!" He uses a suggestion aimed directly at the impulse to buy, rather than one intended to arouse desire, when he says, "Buy a Daily News." This direct command tends to arouse the instinct of self-subjection to the will of another. This merely means an impulse to comply with the expressed volition of another. Sometimes the newsboy uses still another direct suggestion as a closing feature, when he tries to put the paper in the hands of a passerby.

Things to eat, drink, or wear can often be sold without employing an appeal which arouses complicated processes of reasoning in the mind of the buyer. The salesman's task is merely to impress the attractive qualities on the mind of the customer by display and description. The clear perception of the attractive features is sufficient to arouse the impulse to buy.

The salesman often employs this type of suggestion without realizing the effect he is producing. The clerk frequently spoils an opportunity to make additional sales by asking "Is this all?" It wouldn't be much worse to ask "This is all today, isn't it?"

The clerk who asks "Is there anything else you would like to look at?" doesn't do much better.

As he closes one sale, a salesman can often lead to another by making a definite suggestion of some appropriate and particularly attractive article. For example, a clerk who has just sold a shirt could say "We have just gotten in a very attractive lot of ties. How do you like this one?" as he tactfully places before the customer a becoming tie. He thus secures an opportunity to demonstrate the attractiveness of the tie and to tell about its excellent quality and stylishness. In doing so, he will be making rational suggestions, which will be considered later.

Suggestions of this sort that are potent and far-reaching in their consequences can be made in subtle ways of which one is not fully conscious at the time. How would it affect the amount of business done on credit if the salesman regularly asked "Will you have this charged?" Consider the effect on the delivery charges of a clerk taking one of the following courses: First, suppose he asks "Will you have this sent out?" The average customer would consider the question an invitation to have the thing sent out and would answer, "Yes," though, of course, some would say "It will give me no bother. I may as well take it." Again, suppose the clerk says "Will you take this with you?" Many would say yes, and would take it, though some would ask to have it delivered. The question in the latter form might do much to reduce delivery charges, though a few might resent it

as implying that the store is unwilling to deliver. If the package is one that can be carried conveniently, the best course would be for the clerk, as he thanks the customer, to hand him the package, as if he would take it as a matter of course.

Very frequently a mere suggestion will be more effective than a fully stated reason. Suppose the salesman is trying to induce a merchant to take the exclusive sale for a line. He may say, "Here is a thing which offers such and such an opportunity in your line. (Of course he would make his claims definite.) Any live dealer like you can make a great thing out of it." Some such suggestion would be more effective than to say right out, "If you don't take this, I will sell it to one of your competitors and he will secure a great advantage over you." The salesman should not make statements that may be regarded as suggesting or implying a threat. Such statements arouse a feeling of hostility.

We have been discussing the selling appeal which consists of a direct sugestion for which no supporting reason is given. It should be apparent by this time that this type of sugestion plays a large part in more complex selling appeals. This type of suggestion merges without a sharp dividing line into the type of suggestion supported by an explicitly given reason, or reasons. There is, in turn, no clearly defined boundary line between this type of appeal and the one which aims at bringing about a fully reasoned choice.

As a rule, a salesman can not make a sale by bringing about an unreflecting response to a suggestion. He generally arouses deliberative processes and encounters objections which must be overcome.

FULLY REASONED CHOICE AND DEMONSTRATED TRUTH

Under this heading comes the selling appeal which seeks to make the sale by a clear and forceful appeal to the intelligence and judgment. The salesman aims to guide the customer through a thorough consideration of the reasons for and against buying. The desire to make the purchase is to spring from adequate investigation and deliberation.

The salesman may undertake to make the sale by demonstrating the truthfulness of his claim in regard to the value of the thing he is selling, by putting the matter to the test of actual experience. By trying it out, one could thus prove that a machine can be used profitably in a certain business.

On the other hand, by considering the reasons for and against it, one may be led to the conclusion that a machine can be used advantageously. Or he may reach the same conclusion by reasoning from the experience of others in lines of business similar to his own.

In some instances the salesman can employ both logical exposition and experimental demonstration to establish the desirability of the thing he is selling. However, he rarely endeavors to conduct the customer through a consideration of all the reasons for and against the purchase. In practice he usu-

ally gives consideration only to such reasons against the purchase as are brought up by the customer.

The salesman should never undertake to make a sale when he believes there are valid objections which would make it unwise for the man to buy. He may refrain from mentioning objections which do not occur to the customer, provided he is fully assured that it will, on the whole, be to the advantage of the customer to make the purchase. In most instances, fully reasoned choice is merely an ideal to which the selling appeal aims to approximate more or less closely. This approximation takes the form of rational suggestion, which we consider next.

RATIONAL SUGGESTION AND RATIONAL IMITATION

One can rarely be absolutely sure of the correctness of even his most carefully formed opinions about the things he buys. Deliberate consideration of all the reasons for and against and demonstrably certain truth are merely ideals to which the selling talk approximates more or less closely. This approximation takes the form of a response to one of the varieties of rational suggestion. As the appeal, from the view point of the salesman, is a process of rational suggestion, so it is a process of rational imitation from the point of view of the man whom the salesman is soliciting.

Sometimes it is more effective to merely suggest the reason which will give rise to the impulse to purchase, than it is to state it explicitly. The impulse to purchase will then seem to be spontaneous or self-originated. Carrying out the impulse will then seem to be a matter of self-assertion rather than a case of subjection of self to the will of another. The following are illustrations of suggestions of this sort. "The oldest house in America." "The largest business in this line." "We make articles for the United States government." A different impulse is aroused by the following: "Makers to the king." "Made in Paris." Figurative language, if

skilfully employed, is very effective in arousing impulses to action. Examples of this are "The key to success," "The highway to prosperity," "The road to happiness."

The use of suggestions which become effective only through the working of the associative processes of the mind will be discussed more fully in "The Psychology of Advertising."

It may be well here to caution the salesman against the use of bombast or over statement. Claiming too much arouses suspicion.

RATIONAL SUGGESTION

As was seen before, in some instances the sale may be brought about by employing mere suggestion. In such a solicitation there is no attempt to arouse deliberative processes and through them to create desire. Suggestion may lead to the acceptance of claims to desirability, with full conviction of their validity, without arousing a complicated and exhaustive deliberative process in the mind of the customer. Suggestions belonging to the first two classes may have an important effect in bringing about the act of closing, and in the solicitation leading up to that act.

The ordinary selling appeal consists of suggestions which become effective without the help of logical processes in the mind of the purchaser, and also of suggestions which rely on the co-operation of logical processes to make them effective. It is also true, in a very large number of cases that the sug-

gestions play a more important part than the logical processes in making the sale. To make suggestions effective, avoid vague abstractions. Make specific statements. Employ definite and concrete ideas. See that they are clearly apprehended.

In one type of rational suggestion, in order to reinforce the impulses aroused by reasons why, a suggestion is made which aims directly to arouse an impulse to perform the act of purchasing and to make it pass over into action. Previously to the making of this suggestion, the salesman has made an effort to predispose, or incline, the mind of the customer to a favorable response to the suggestion. By giving reasons why, or by quoting authorities, he endeavors to create in the mind of the customer an attitude which will make him receive the suggestion favorably. A suggestion is then made to bring about the act of closing, to which the other suggestions predispose one.

If a suggestion is clearly and strongly made and opposing ideas are not present in mind, the impulse aroused by the suggestion will follow its natural tendency to pass over into action. The tendency to bring about compliance is strongest, if the suggestion arouse desire, or if it is directed along the line to which habit or instinct inclines. The response to the suggestion will then be purely impulsive in character and will be performed without ulterior reason or purpose for doing it. It is not founded on, or supported by reason why, or proof, or logical

conviction. This type of suggestion was previously discussed.

The suggested act will be more likely to be performed if it is made to seem reasonable, and if it is in harmony with the controlling purpose dominant in the background of consciousness. In many cases, it is not necessary to get the customer to perform an elaborate process of reasoning to prepare his mind so that the suggestion will seem reasonable to him when it is made. For example, a man was desirous of buying a machine to do a certain work. The salesman mentioned a few places where the machines were being used satisfactorily. The prospective purchaser knew the people using them and believed that they would be satisfied with nothing less than first class results. He closed the deal without going into an elaborate consideration of the comparative merits of the machine. The purchaser simply followed the leadership of those who had prestige in that particular line.

In most cases the salesman must indicate the value giving qualities of the article. He must then explain, in such a way as to suggest belief, the main reasons why these qualities give value to the article.

Men do not often reason exhaustively about a thing. The salesman should not lead the customer to deliberately weigh all the reasons, for and against, which can be found.

The successful salesman holds the attention and so directs it that no competing or inhibiting idea arises with strength enough to prevent the sugges-

tions he makes from controlling action. Men tend to accept statements made confidently and authoritatively. The reasons why, given by the salesman, will be held to be true, unless some contradictory idea occurs to prevent belief. The salesman who arouses and maintains a lively interest in his selling talk will do much to prevent such ideas from occurring. He should keep competing lines, and reasons why not, out of the mind of his customer as far as he can. By giving reasons why, and omitting reasons why not, the salesman can often induce the customer to make up his mind to purchase, without encountering serious objections to so doing.

A suggestion, contrary to the purpose dominant in consciousness at the time the suggestion is made, may be performed, if it centers attention on its self so strongly that the dominant idea lapses from consciousness. A suggestion which arouses strong feeling or emotion may thus center attention on itself.

A suggestion is more effective, if it is bolstered up with a background or fringe of ideas arousing impulses tending to reinforce it. That means that the suggestion which is the focal element will be more effective, if the ideas which have recently been in consciousness, or are still in the margin of consciousness, are of such a character that they arouse impulses to action harmonious with the focal suggestion. How this may be brought about will be explained later.

Men are inclined to act on suggestions in regard to subjects about which they know little, as reasons

why the act should not be performed are not likely to occur. They follow the advice of the expert, without demanding proof, in matters concerning which they are ignorant. The man, who can give the impression that he is an expert, can readily impose on the ignorant. Stock in blue sky mining companies is sold to people who know nothing about mining, not to the experienced miners.

Selling to an expert is a different proposition from selling to an experienced buyer. One requires cogent proof before he is willing to act on a new proposition concerning matters with which he is familiar and to which he has given much thought.

The force of habit makes men shy from a proposition which resuires a readjustment or rearrangement of their familiar notions, beliefs, or habits. More than mere suggestion is required to get a man out of a rut which is leading him the wrong way. Care must be taken to make the amount of such readjustment seem as small as possible. The proposition should be presented, as nearly as may be, as offering a better means of attaining an end already recognized as desired.

A suggestion not to do a thing has little, if any, negative force. Such a suggestion merely keeps the attention fixed on doing the prohibited thing. To prevent the carrying out of an impulse to action, the idea of a course of action contrary to the impulse must be present in the mind. The word "not", in a command, does not arouse an impulse to act in an opposite way. To prevent the carrying out

of an action, it is necessary to suggest an opposing or inhibiting course of action in such a way that the attention is fixed on the idea that arouses the inhibiting impulse. To do this, one should awaken an opposing motive to action.

Some men naturally tend to do the opposite of the thing suggested. They manifest the trait known as negative suggestibility. One can almost get them to do a thing by suggesting that they do not do it. About the only way to handle such men successfully is to handle them so tactfully that they will think that they themselves suggested what you wish them to do.

If a man is ill-tempered, troubled, distressed, worried, or pessimistic, the salesman should get him into a more favorable state of mind, or wait until a more opportune time to press his business. Men are likely to be inclined to buy less freely on a day which is unpleasantly windy, or rainy or snowy, or hot, or cold. Success in selling will be affected adversely by the ill health of the customer, his state of hunger, fatigue, discomfort etc. All of these conditions will tend to affect the efficiency of the salesman, also.

Pleasure renders a man more optimistic, gives him more confidence in his own judgment, and renders him more easily influenced by suggestion and likely to buy more quickly and in larger amount. Hence the salesman should try to create a pleasurable state of mind in his customer. He should not inhibting impulse. To do this one should awaken

resort to obvious flattering or jollying. These are likely to arouse offense.

To create a pleasurable state of mind in the customer, the salesman should depend upon a pleasant manner of approach and upon saying in an agreeable way the things he will enjoy hearing. Be optimistic about the prospects for business. Find some feature of his business establishment or something in his method of merchandising that is deserving of praise. Express your commendation sincerely and heartily. Create a feeling of confidence in your judgment and business sagacity. Make him realize that you are really desirous of doing what will be for his best interests.

In dealing with an experienced business man, it is well to come right to the point, and without waste of time to present a proposition which is boiled down and full of concentrated force.

In dealing with people not used to doing business in a business like way, the salesman may find it well to indulge in a little preliminary talk to permit the prospect to get acquainted with him and cause him to feel confidence in him. He may tell a funny story to get the customer to laugh with him. In this preliminary talk he can show interest in the business, or the family, or the outside concerns or hobbies of the customer. He can tell him of long continued business relations with others whom he may know, of recent business done, etc., to show that others have satisfactory business relations with the firm. He can make clear to the customer

that he has a good knowledge of business conditions and prospects, and that he has a mastery of successful ways of merchandising that will help the man in his business, etc.

Adapting the appeal and the solicitation to the various interests as they are found to exist in those who make up the market will be discussed more fully in the "Psychology of Advertising."

INCREASING THE EFFICIENCY OF THE SELLING FORCE

One of the most important duties of the sales manager is to keep enthusiasm alive in his sales-force. One can be enthusiastic over a line, only when he understands its importance. Enthusiasm in a salesman is like steam in an engine. It furnishes motive power. Enthusiasm is contagious through suggestion. It oozes out in all that the enthusiastic man says and does. Its manifestation in subtle ways, in the tone of voice, gesture, expression and bearing of the salesman, arouses a like state in the mind of the customer. In religion, many men are converted more through feeling than through reasoning. Feeling has a like potency in business. A selling talk charged with good will, optimism, confidence, and enthusiasm, will accomplish what cold reasoning alone can never gain. A man's belief that the man he is soliciting will make the purchase, may manifest itself in the subtle ways explained previously and become a potent factor in making the sale.

The salesman occupies an important position in the affairs of the business world. He renders an indispensable service. He has reason for self-respect, if he has prepared himself to perform efficiently the function of his calling. If he can not be

enthusiastic about the line he is selling, he had better quit it and get one he believes in, if he wishes to gain the success his ability fits him to attain.

The salesman should be given a message of good cheer and encouragement when things are not going well with him. Hauling a man over the coals, or threatening to discharge him, does not put him in a state of mind which fits him to do good work.

Credit for success achieved should be given heartily and generously. Recognition, by way of public mention and commendation of specially meritorious achievements, inspires ambition in the one so distinguished. It is also a suggestion that is potent to stimulate others to emulate the worthy act.

The sales manager who renders best service to his salesmen will be most effective in inspiring the salesmen to render efficient service.

CONVENTION OF SALESMEN

Getting the salesmen together for conference and instruction is an excellent means of improving their work. The program may include the demonstration by an expert of the best method of making a sale, of instructional and inspirational addresses etc. It will probably include a round table conference in which the salesmen exchange their views on various problems involved in selling. This develops a spirit of co-operation.

Each man is likely to put forth his best qualities in such a gathering and will take pride in making clear the things which have contributed to his suc-

cess. The results attained by the more successful inspire the others to resolve to rival their achievements.

The suggestions received by each man from many sources jar him out of his ruts. He will set himself to examining critically his own successes and failures, as he hears the successes and failures of others discussed. He will acquire new ideas and will improve his methods of working.

The spirit of competing with other members of the selling force will stimulate the men to put forth greater energy and to initiate new lines of effort. To make the most of what is gained in such a convention, the sales manager must devise ways to keep this spirit alive, while the men are working separately. This can be done by keeping them informed about trade conditions and prospects. They should be told about the success of other salesmen, and how it was gained.

SALES CONTEST

Experience gained in a great variety of lines has demonstrated that a well managed sales contest is a very effective means of increasing business. The potency of the contest is easily explained. It stimulates into activity many of the strongest instincts and interests.

Among the instincts aroused by the contest are the following:—Rivalry, emulation, self-assertion, desire for approbation, fighting, acquisitiveness, cooperation with others, and loyalty to group inter-

ests. Of course some of these are active in the form of the interests developed from them. For example, the contest awakens the wealth, the vocational, the sociability, and the moral interests.

AWAKENING INSTINCTS AND INTERESTS RENDERS MORE ENERGY AVAILABLE

When an instinct or an interest is aroused the activity of certain physiological organs is correspondingly increased. The increased activity of these organs renders a greater amount of energy available for carrying out the impulses which have been aroused.

For example, the suprarenal capsules are small glands above the kidneys which secrete adrenalin and pour it into the blood. When the fighting and emulative impulses are aroused there is an increase in the amount of adrenalin secreted.

The increased amount of adrenalin in the blood stimulates the liver to give over to the blood some of the energy stored up in the liver in the form of sugar. Thus energy is furnished to maintain the increased activity of the various organs of the body involved in carrying out the fighting and emulative impulses. The increased supply of adrenalin also tends to prevent the inhibiting sensation of fatigue from becoming strong enough to check the action before the available supply of energy is used up.

In order that a sales contest may be carried on successfully, means must be employed to stimulate

effectively some, or all, of the instincts or interests previously mentioned.

The instinct of rivalry is usually appealed to by offering a prize. In order that the prize may serve to stimulate all the salesmen equally, it is necessary to fix upon a fair basis for measuring achievement. A careful investigation is made to determine the amount of sales which may be justly expected from each salesman under the conditions prevailing, making no allowance for the stimulating effect of the contest. In a recent contest, credit was given as follows on a 100 per cent basis: 20 per cent was given for the exemplification of real salesmanship, 20 per cent for the greatest volume of sales at a reasonable profit, 20 per cent for the best percentage of profit on a reasonable volume of sales, 10 per cent for the largest increase of old accounts, 10 per cent for the smallest volume of rejection and the least supervision necessary from the general sales offices, 10 per cent for the smallest volume of losses, 10 per cent for the greatest increase in permanent new accounts. A definite quota is assigned to each salesman. The prize is to be given to the one who makes the greatest percentage of increase in his quota. Each salesman is kept informed as to what all the others are doing.

If the prize is considerable in amount, it will appeal to the wealth interests.

Making the achievements of each salesman known to all the others, also arouses the spirit of rivalry.

It also stimulates the sociability interest, as it makes each put forth his best efforts in order that he may stand well with others. It says to him, in effect: "The world has no use for quitters and failures. Here is a race open to all, and no favoritism is shown. The best man will win. Are you the best man?"

A similar appeal may be combined with an appeal to the sociability interest, the spirit of co-operation, and of loyalty to the business. "You have been selected as a member of this selling organization because you have shown that you have ability, industry, and high business ideals. You have helped to make this business what it is. Will you help to make it better?"

In order that the sales contest may be a success, appeals must be directed definitely and effectively to certain specific instincts and interests. If instincts and interests are awakened to activity along the right lines, the fund of energy at the disposal of the salesmen will be greatly increased. Their feelings will be kindled. Their minds will work more actively. Effort will be concentrated on the things that count.

DEVELOPING CHARACTER AND PERSONALITY

SUCCESS DEPENDS UPON CHARACTER

The efficiency of a man in any line of business depends in large measure on the character he has formed. From his character come his strength and skill in influencing men and the respect he is able to inspire in the men with whom he comes in contact. The factors which are effective in inspiring respect are traits of character manifesting themselves in subtle, almost indescribable ways, in expression, words, tone, and acts. Through suggestion, one's character impresses itself on others, whether he wishes it or not. Holding the good will of people with whom one does business depends largely upon the treatment accorded them. The treatment will be as the character is. The character can not be bad and the acts regularly good. Good character is manifested in habitually according the right treatment to others.

Character grows out of the native tendencies and impulses, the instincts and interests, which we have already discussed, as they are developed into habits by the material and social environment. The objects to which our native impulses attach themselves, and the form which their development takes, depends upon educational influences, taking them in the

broad sense which includes all external influences which affect our life.

A man stamps his true value on himself. Hence, he must be what he wishes men to take him to be. No mask, or make-up, or attempt to play a part, will long prevent the inner man from impressing itself, through suggestion, on those with whom we deal. The world will take a man at the value he places on himself, provided he is not trying to float a lot of watered stock. One should strive rigorously and unflinchingly to be and do the things he ought to be and do.

Preparation for business efficiency consists in large part of developing character and personality.

Psychology is merely a descriptive science. It is interested solely in telling how the mind works and how character is developed. As a science, it has no concern to decide whether any particular habit is good or bad. To find out what traits of character are desirable, we must consult the conscience of the individual, the experience of society, educational theory, ethics, and religion. In the last analysis it will be found that the so-called bad acts are tabooed because they bring bad results. The good traits of character are so considered and esteemed because they further individual and social welfare. The best traits of character are the traits which make for the highest success.

Among the good traits of character are: honesty, industry, care of bodily well-being, cleanliness, per-

severance, thoroughness, punctuality, ambition, open-mindedness, thinking for one's self, progressive spirit, leadership, confidence, courage, cheerfulness, optimism, self-control, temperance, truthfulness, obedience, courtesy, sympathy, civility, loyalty, etc. The reader can add to this list as he pleases. A little reflection will convince him that he would regard none of the virtues as traits or elements of character, unless they were habitually manifested in conduct.

To find the strong and weak points in one's character requires careful and honest self-criticism. Much will be revealed in the advice of friends, the criticism of enemies, the treatment one receives from business associates, and one's success in dealing with others. In forming his character, one should be guided by the ideal of self-realization previously discussed. He should aim at an harmonious development of character and efficiency in all lines, with special attention to the matter with which he is most concerned.

Since a man's character is made up of native impulses developed into habits of thinking, feeling, and willing, the form that his character takes is to a large extent under his control. One can change his character by changing his habits. To give up old habits and form new ones, one must resolutely refuse to yield to the tendency to act in accordance with the old habit. Just as resolutely, and unhesitatingly, and invariably, he must improve every opportunity to act along the line of the new habit he desires to form.

This is so difficult that it is necessary to get the strongest possible hold on one's self at the start. But it grows much easier to act in the new way, as time elapses and the habit gets better formed. The new way, which at first required painful effort, later becomes pleasurable. It will finally require effort to act contrary to the new habit.

The most difficult thing in forming a new habit is to get strength and resolution enough to jerk one's self out of the old rut and get a good start in forming a new one. In time the habits will become a second nature, stronger than the original nature. Do not concern yourself with the undesirable habit you wish to eliminate from your character further than to refuse to give attention to the impulse to act along that line, or to allow the impulse to pass out into action.

SELF-CONFIDENCE

To make it clear how one can develop the more complex traits of character, and attitude of mind, let us consider self-confidence, which is of the utmost importance in every line of work. A firm spirit, manifested in confident and self-reliant attitude and in decisive action, compels respectful, and even considerate treatment from others. Show fear and you invite others to impose on you. There is much truth in the saying that men can win because they believe they can win. Energy in action follows naturally from self-confidence. To develop the self-confident feeling and bearing, decide carefully what you wish

to do and how to do it. Be thorough and painstaking in your preparation. Keep your purpose in view. Be on the alert for new points of view, new ideas, and new light on old ideas. You will thus acquire a fund of ideas and experience which will make you master of your line.

Give yourself good reason to think well of yourself, and then think well of yourself. You will thus develop self-confidence and initiative. Then do not stand around hesitating and irresolute. Go to work with an energy that never falters or turns aside.

Where there is a will there is a way.

Don't harbor feelings of doubt, or dwell on thoughts of inefficiency and failure. Most fears are groundless. Still more are worse than useless. By dreading a thing, you will be likely to contribute to bringing it to pass, and you will certainly increase its ill effects when it comes. Do not let your thoughts dwell on your shortcomings or chances of failure. A difficult situation once squarely faced loses most of its terror.

Overcome any tendency to diffidence or self-distrust by keeping your thoughts fixed on what you have to do, not on yourself. Keep before you the advantage and satisfaction which will come from succeeding. Study your failures only to find out how you can increase your proficiency, and then forget them. Think, instead, of future successes. Suggest to yourself frequently, "I am able to succeed. I will be self-confident. I will succeed."

To impress your self-confidence on others, manifest in your work, optimism, courage, confidence in your ability to succeed, intense earnestness, enthusiasm, and perseverance. Work without hesitation, in a thorough and honest manner. Avoid over-tension and convulsive efforts, as they manifest weakness and involve waste of energy. Give the impression of having plenty of time to accomplish your work. Appear confident of being able to handle the situation satisfactorily.

If you wish to be a successful man, you must assume the mental attitude and manner and bearing of a successful man. The successful leader of men shows self-reliance and conscious power in his manner, conversation, and carriage. He impresses men as believing in his ability to do great things. Men have confidence in one who believes in his own ability. They distrust one who lacks confidence in his own powers to secure good results.

PERSONAL MAGNETISM

This quality is so complex in its character as almost to defy analysis and explanation. The person who is described as possessed of magnetism will be found to manifest many of the following traits. He dresses tastefully in good clothes, well-pressed and cleaned, well-kept shoes and clean linen. He is well-shaved and bathed, and well-groomed. He speaks distinctly with a pleasant and well-modulated voice. His gestures and bearing are pleasing. He shows

courtesy and politeness by doing what is generally recognized as good form. He has consideration for others, and interest in their welfare, and in what they do and say. He has tact and avoids over-familiarity and weak flattery. He is cheerful, and cultivates the art of pleasing. He does the right thing, in the right way, and at the right time. He has easy confidence in himself, but is not conceited. He appears successful, shows mastery of his business and enthusiasm for it. At the same time he is interested in many other subjects, and well informed about them.

INDEX

Aesthetc interest, 197.
After closing, 86.
Approach, 17, 24, 27.
  introductory statement in, 25.
Argument, avoid, 57, 69.
Association of mental processes, 117.
  by continguity, 117.
  by similarity, 119.
  in memorizing, 125, 133.
  influence of emotion on, 121.
  process of, in education, 128.
  solicitation modifies working of, 149.
Attention
  and interest, 139.
  directs mental processes, 148.
  expectant, 146.
  focus and margin of, 145.
  holding, 36, 141.
  securing, 24, 141.
  voluntary and spontaneous, 141.
Aversion, 190, 212, 220.

Behaviour, 102.
Belief and action, 167.
Brain and mind, 111.

Character
  developing, 256.
  success depends on, 256.
  traits of, 257.
Choice, fully reasoned, 239.
Closing, 75.
  after closing, 86.
Competitors, treatment of, 72.
Confidence in salesman, 33.
  inspiring confidence, 231.
  (see also "suggestion")
  creating self-confidence, 259.
Conscious processes, classification of, 109.

Demonstration, 31, 47.
Desire, 212.
  arousing, 31, 220.
  see "interest" and "attention."
Diagnosis, 58.

Education, 128.
  interest in, 197.
Experimental psychology,
Expert, 167.
Factors which determine mental processes, 169.

Family and home interest, 195.
Feeling out and closing, 75.

Good and bad, 192.
Good will, 51, 147.

Habit, 111.
Health interest, 197.

Ideo-motor activity.
(see "will")
Imitation, 223.
conscious, 234.
rational, 241.
subconscious, 230.
(see "suggestion")
Impulses, arousing irrelevant, 50.
Inhibition, 150.
(see "objections")
Instincts, 169.
classification of, 183,
definition of, 170.
education of, 177.
enumeration of, 173.
modification of, 180.
Interest and attention, 139.
Interest, arousing,
in approach, 25.
in pre-approach, 21.
Interest, desire, value and price, 212.
Interests
aesthetic, 197.
classification of, 191.
correlation and co-ordination of, 208.
education, 197.
family and home, 195.
health, 197.
meanings of, 189.
moral, 185.
morality the major interest, 191.
philanthropy, 194.
politico-legal, 195.
recreation, 203
sociability, 196.
vocation, 199.
wealth, 198.
work and need for recreation, 202.
Interests and thinking, 153.
Introspection, 105.
Intuition, 59.
Intuitive judgments of character, 59, 108, 175.
Investigation in pre-approach, 19.

Judgment and reasoning, 164.

Learning,
aims to grasp significance of things, 133.
process of, 129.
method of, 134.

Marketing, 94.
Means, use of illegitimate, 51.

Meaning of things, 132.
learning aims to grasp the, 133.
Memory and art of recollecting, 123.
Mental and physical processes, 102.
Mind and brain, 111.
Minds of others, knowledge of, 58, 107.
Moral interest, 185.
Morality, the major interest, 191.
principles of, 193.

Needs, awakening, 219.

Objections, dealing with 27, 67, 82.
Objective and subjective realms, 103.

Personal magnetism, 261.
Personality, developing, 256.
Philanthropy interest, 194.
Politico-legal interest, 195.
Practical knowledge and skill, 11.
Pre-approach, 17, 19.
investigation, 19, 23.
preparation, 20.
Predispositions
(see "instincts" and "interests")
Price, 212.
making known the, 32, 33, 43, 74.
Proficiency, acquiring, 11, 100, 114.
Psychological moment for closing, 76.
Psychological knowledge, method of gaining, 105.
Psychology, definition of, 102.

Quality, definition of, 31, 36.
demonstration of, 47.
value giving, 31.

Recollecting, art of, 123.
Reasoning, 164.
Recreation interest, 203.
Right and wrong, 192.
principles of, 193.

Sales contest, 252.
increases energy of salesman, 253.
motives appealed to in, 252.
Salesman, function of, 10.
preparation of, 16.
increasing energy of, 253.
Salesmanager, 13, 251.
Salesmanship,
as a profession, 92.
deals with mental processes, 14.
definition of, 13.
economic function of, 10, 92.
is applied psychology, 13, 62.
Salesmen, convention of, 251.

Self-confidence, 259.
Self-realization, 183.
  gained by satisfying interests, 189.
Selling contents of this book to the reader, 7.
Selling force, improving the, 250.
Selling points,
  definition of, 36.
  putting in writing, 37.
  stating aim of, 36.
  (see also "solicitation")
Selling process,
  acquiring skill in, 11, 100, 114.
  parts of, 17.
Selling talk
  see "solicitation."
Sociability interest, 196.
Solicitation, 31.
  adapting to customer, 39.
  aim of, 17, 31.
  appeal to intelligence in, 46.
  arousing irrelevant impulses in, 50.
  brief solicitation first, 42.
  demonstration in, 47.
  effectiveness of cumulative, 41.
  holding attention and interest in, 36, 141.
  illegitimate means in 51.
  making effective, 52.
  preparation of, 33.
  renewal of, 43.
  seriousness in, 53.
  stating aim of new point in, 36.
  suggestion in, 45.
  thinking ahead in, 35.
  truth in, 45, 162, 216.
  see also "suggestion."
Spontaneous, attention, 141.
Success, depends on character, 256.
Subjective and objective, 103.
Suggestibility, factors of, 225.
Suggestion,
  and imitation, 223.
  auto, 223.
  conscious, 234.
  in solicitation, 33, 54, 146, 218, 223.
  rational, 241.
  subconscious, 230.
Sympathy, 175.

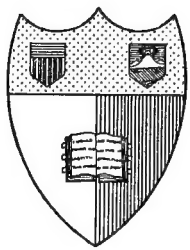
Technical terms, use of, 56.
Thinking, 153.
Truth, 45, 162.
  the ideal of selling, 216.

Value, 31.
Vocation interest, 199.

Volition, 150.
Wealth interest, 198.
Well-being, 183.
  see "self-realization"

Will, 150.
  involving deliberation, 151.
  to live, 182.
Work and need for recreation, 202.

Business Profits and Human Nature



New York
State College of Agriculture
At Cornell University
Ithaca, N. Y.

Library

Cornell University Library
HF 5353.K35
Business profits and human nature; how to
3 1924 013 953 223
mann

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924013953223

Chestnut Street, Philadelphia

The shady side of a business street usually has nearly 25 per cent. more pedestrians than the sunny side. It is the cooler side in summer and the dryer side in winter

Business Profits
and
Human Nature

How to Increase the First
By a Knowledge of the Second

By

Fred C. Kelly

Illustrated

G. P. Putnam's Sons
New York and London
The Knickerbocker Press
1920

COPYRIGHT, 1920
BY
FRED C. KELLY
(Under the title *Human Nature in Business*)
@15859

TO

THE AVERAGE MAN

FOREWORD

The author is indebted to *The Saturday Evening Post, The American Magazine, McClure's Magazine,* and other publications for permission to reprint in this book matter that originally appeared in magazine form.

He is indebted also, for valuable information and suggestions, to Jay Lee Cross and John O. Sproul, of Cleveland, Ohio; officials of the United Cigar Stores Company; Louis K. Liggett, and various others.

CHEVY CHASE, MARYLAND.

CONTENTS

CHAPTER		PAGE
I.	The Law of Averages	1
II.	The Little Law at Work	7
III.	Cashing in on Footsteps	22
IV.	Candy and Soda	30
V.	Men's Moods at the Lunch Hour	35
VI.	Following the Crowd	42
VII.	Street Cars and Pedestrians	59
VIII.	Human Ants	69
IX.	Human Nature and the Weather	83
X.	The Costliness of Vanity	95
XI.	Habits of the Shopper	114
XII.	Ingenuity in Salesmanship	130
XIII.	Meeting Human Nature Half Way	143
XIV.	To Buy or not to Buy	153
XV.	Finding the Keynote	164
XVI.	Applying Imagination	182
XVII.	Turning Imagination to Profit	193

Contents

CHAPTER		PAGE
XVIII.	Handling People at Hotels	202
XIX.	Capitalizing Courtesy	212
XX.	Honesty in the Average Man	231
XXI.	Human Nature at the Credit Window	248
XXII.	The Voice of the Average Man	260
	Index	269

ILLUSTRATIONS

PAGE

The shady side of a business street usually has nearly 25 per cent. more pedestrians than the sunny side. It is the cooler side in summer and the dryer side in winter . *Frontispiece*

Rain in the early forenoon hurts business; but rain in the afternoon has a tendency to help business 84

A woman is sometimes willing to pay far more for an article of dress than it is worth, solely because of the satisfaction she derives from making other women envious . . 100

Many a business enterprise has been wrecked because of the inability of the proprietor to resist clever salesmanship . . 162

Jim Williams' keynote was food—things to eat! 168

Dishonesty often is due less to temperament than to temptation 232

Many men are honest in direct ratio to the danger of being caught 246

I wouldn't burden myself with paying installments on so much stuff. This may not be any of my business, but you'll thank me for it some day. And they did . . . 356

Human Nature
How Business Makes it Pay

CHAPTER I

THE LAW OF AVERAGES

HUMAN beings, when you average them up, are surprisingly alike. And human impulses are a fairly constant quantity. If an Average Man does one thing to-day and something else week after next, it is not necessarily because *he* has changed, but probably because there has been some kind of shift in conditions. As Robert W. Service observes:

> The thistledown that flits and flies
> Could drift no hair-breadth otherwise.

That is, the thistledown blows just the way it does because of the various physical conditions that control it—the topography of the earth, the altitude, barometric pressure, temperature, and velocity of the wind. If one were familiar enough with all these factors, and also happened to be clever enough at mathematics, it might be possible

to figure the thing out, and place one's finger on the exact spot where the thistledown eventually would alight. Everything is Cause and Effect!

So it is with people. Equipped with a knowledge of all items entering into the situation, we could forecast precisely how a man would react under a given set of circumstances.

If it should be noted that ten persons a day slip and fall on the pavement in a congested area of a big city, and then some day twenty-five persons should fall, it would not mean that people on the average were becoming less steady on their feet, but more likely that the pavements had become more slippery. A newsboy starts over a route shouting his Sunday papers. He has two hundred papers with him, let us say, and can sell only one hundred and forty. To his disgust he has the rest left on his hands. On the following Sunday, therefore, he buys only one hundred and forty papers. And on that day, perhaps, he could easily have sold two hundred and fifty. He decides that man is an erratic animal about his Sabbath-day reading, and that there is no use trying to predict what he will want. But the chances are that on the day the demand was for two hundred and fifty papers, there was either bad weather to keep men indoors, or something in the papers of greater news importance than on the Sunday previous.

With a record at hand of past performances and all present influences, it should be easier to tell in advance about an average man than about an

average race horse; for, inasmuch as there are more men than race horses, it is possible to get the average a little closer. To know all the motives and whims that enter into the actions of an individual is practically impossible; but when we consider a crowd the task is less difficult. Individual peculiarities average up and are lost sight of in a big mass of persons. And the larger the crowd, the more definitely can we predict what an average person in the crowd will do.

If fifty women walked along a certain street, and one of them paused to tie her shoestring, it would hardly be justifiable to say that one out of fifty, day after day, would do so. But if it were found that ten women out of every one hundred thousand, on that street, fastened their shoestrings, the chances are that about the same proportion would stop to perform the same little chore, on an average, every day in the year.

A definite number of women out of every ten thousand will stop to buy candy, or soda water, or dotted veils. This number may vary according to climate, weather, season, or day of the week; but there will, nevertheless, be a constant relation between the number who buy, and the surrounding influences.

Insurance companies know with uncanny accuracy the average man's chances for a long life or a short one. They know that under certain conditions—age, climate, occupation, and so on—so many men out of every thousand will die before

the end of the year. So many men out of every thousand will be careless and accidentally set their houses on fire. A certain number will run into guileless pedestrians with expensive, high-powered automobiles, and be sued for damages. A known number of automobiles out of every thousand will be stolen every year. And the older the machine the more likely it is to be stolen, even though it is not so valuable, because it is less under the cautious, watchful eye of the owner. Of every thousand barns insured against fire a definite number are sure, as the insurance companies have found out, to be struck by lightning.

If one were to stop a thousand men, at random on the street, and ask them what size shoes they wear—and then go to another street and ask a second thousand men the same question, the chances are that almost exactly the same percentage out of each thousand would be found to have on number nines.

Army quartermasters know that two hundred and thirty men out of every thousand must have their hats size 6⅞, but only one man in a thousand wears size 6½. One man out of every three wears a fifteen collar, but size fourteen does not fit even one man in ten.

Every retail dealer is obliged to depend somewhat on the law of averages. The ready-made clothing dealer knows that there will be a certain number of fat men to be fitted in his establishment for a certain volume of business. If he is selling

hats or shoes, he knows in advance what percentage of his customers will require any one particular size.

Count the number of times the letter E is used in a thousand words in the Bible, and then count that letter in a thousand words in your favorite newspaper, and you will find the number in each place to be substantially the same. This fact is made frequent use of in the translation of secret codes. No matter what letter, or number, or character we decide to use in place of any letter of the alphabet, its real identity may be quickly established simply by counting the number of times it is used.

One often wonders at a hotel clerk when he says: "I have no room for you now, but I can give you something at about half-past eight."

How does he know that there will be a number of four-dollar rooms available a little later? The occupants haven't said they were going away, have they? Unconsciously the clerk utilizes the law of averages. Experience has proved that of each hundred guests in a transient hotel, a fairly definite number of those in four-dollar rooms will check out each evening.

Another striking illustration of the possibilities in harnessing the law of averages may be seen in any big newspaper office on election night. When the returns are in from half a dozen representative precincts,—some in the country, others in the city, —a clever political editor can forecast within a few hundred votes of the plurality in his State

for the winning candidate. He simply makes comparison with the vote in those precincts in previous years. If one third of the people in two country precincts shift from the Republican to the Democratic column, there is a fair chance that about the same proportion of the voters have changed over in the country voting places yet to be heard from.

So it goes. There is almost no limit to the things one could tell accurately in advance about human proclivities, if only one had a detailed record of the past as a basis for such predictions. A concern operating chain stores, with its twelve hundred or more retail establishments, has made a tremendous business success because it is able to tell beforehand just how many men will come into a shop at a given location each day, and how much money they will spend. One man out of every so many passing along the street is certain to stop and buy.

CHAPTER II

THE LITTLE LAW AT WORK

On the morning of April 3, 1917, men smoked more cigars than usual. All that day they smoked more cigars than usual. Tuesday, April 3d, was a record-breaking day for cigar sales all over the country This was all the more surprising when we consider that Tuesday is ordinarily the dullest day of the week for selling cigars. Men stock up Saturday, to make sure of plenty of smokes over Sunday, and they replenish their stock again Monday morning. This supply usually carries them over Tuesday. But Tuesday, April 3d, was different. In New York City, for example, there were vastly more cigars sold than on any other Tuesday in the city's history. I have no doubt that this was true in practically every other American city.

Why were men more inclined to consume cigars on Tuesday, April 3d, than on any other day? Simply because, on the night previous, the President of the United States had appeared before a joint session of the two houses of Congress and delivered a message asking for a declaration of war against Germany. When people read the papers

the next morning it made them extremely thoughtful. It was a day of tenseness. Men were rather unfitted for ordinary business, but were inclined to gather in groups and talk—and smoke. Those who were in the habit of smoking at all smoked that day more than was their custom.

Now the point to all this is that men, in the long run, react about alike. A situation that makes one smoker use up more cigars than usual makes nearly all smokers do the same thing. On the other hand there are conditions that cut down the amount of smoking. A big parade or carnival on the main street of a town always reduces the cigar sales for that day. Men get interested in watching the goings-on about them and forget to smoke.

Not every individual does exactly the same thing under the same circumstances, it is true, but the average man does. In the restaurant of a famous department store in an Eastern city, the manager knows exactly how much food of each kind to prepare, because he has figures at hand to show what the average man has ordered in the past. He knows from previous experience how many people are likely to eat luncheon in the store restaurant on a certain day of the week at a certain season of the year. And he knows that only one person out of every hundred will order shellfish. A trifle more than one out of every five is reasonably sure to desire some kind of salad. Here are the percentages of customers that order various other items:

Relishes	1.7
Soups	6.7
Fish	5.2
Boiled Meats	2.0
Entrées [made dishes]	6.0
Roasts	5.6
Vegetables	7.4
Sandwiches	6.2
Pies, Cakes, and Puddings	14.4
Ice Cream	14.4
Cheese, Crackers, and Beverages	30.5
Cooked to order	5.3
Club Luncheons [75c.]	33.5
Fruit	2.4
Cold Dishes	2.6
Specials for the day	8.8

The list given is the average for both winter and summer. By keeping records of food eaten on different days under various conditions of weather and temperature and general business it would be possible to lay down figures so definite that the chef could look at the sky and the calendar and the thermometer and the newspaper, and cook exactly enough, but no more than enough. Waste is thus eliminated. The old way was to cook up things at random and trust to luck. There was always too much of one article and not enough of another.

Every year business men learn new ways to derive benefits from the law of averages. It is one of the most potent forces in the business world for the cutting out of lost motion. The largest

mail order concern in the world, located in Chicago, can tell within five minutes after a wagon-load of mail has arrived, exactly how much money the mail contains. How? Simply by shoving the mail upon a scales and weighing it. That is where the law of averages is of great assistance. With a knowledge of what has happened in the past, it is possible to tell what will happen again—so far as the daily mail is concerned. A certain percentage of the mail will be mere chaff —inquiries of one kind or another, and circulars. But for every pound there will be a definite number of letters containing money orders; and these will average in the neighborhood of five dollars apiece.

Thus, the company, knowing almost to the penny what the mail has brought, can adjust itself either for a big rush of order-filling, or for a comparatively light day, as the case may be.

The company knows, too, from past experience, just how many orders it should get from each catalogue sent into a State, and it also knows which States excel in the average size of orders. In one State the average order per catalogue is only about $2.50, while in another it is more than $6.

In St. Louis is a famous hardware concern that probably makes more different uses of the law of averages than any other business enterprise in existence. For instance, they take, each day, stacks of little sales slips that come in by mail from men on the road, and weigh them. Then they

know, without further ado, just how much money the sales for that day represent. Each ounce of the little slips means so many dollars. One slip may be for a bill of goods amounting to thousands, and the next may cover only a dime's worth of nails. But a stack of the slips always average a certain amount. It never varies more than a few pennies.

This concern collects facts about various subjects that might seem to have only a scant relation to the hardware business. The reason is that their experience has taught them this great lesson: There is scarcely any fact that cannot be utilized in one's business if one only knows how.

For instance, this company lays great stress on getting all possible information in advance on the political situation. In every presidential campaign for many years back they have invariably known in advance what the result would be. They instruct their salesmen to take a straw vote of all the people they meet. As their salesmen go to the principal cities of every State in the Union they are able to get in touch with a wide range of opinion. Moreover, the people they deal with—hardware merchants—because of the very nature of their business, come in contact mostly with men. A hardware merchant usually can sense the political leaning of his immediate community. The salesmen, meeting the hardware merchants of a whole State, therefore, can arrive pretty definitely at the facts regarding what is going to happen politically in that State.

These reports from salesmen about political conditions are sent to the head office of the big company, where they are handled by only two men, who guard them with the strictest secrecy. While rival concerns are preparing by guesswork to meet after-election conditions this one acts with definite knowledge In 1896, when Bryan ran against McKinley on the free-silver platform, there was uncertainty about what monetary values would be after election, and hardware merchants everywhere allowed their stocks to run down. They did not wish to invest a penny more than was actually necessary in merchandise until they knew whether a dollar was to be worth a dollar or only fifty cents. So effective had been the advertising of the Republican National Committee, however, in associating the election of McKinley with the return of prosperity, that business men agreed on this point: A big buying wave to replenish stocks would sweep the country in the event of Republican success.

Everybody had his opinion, but the big hardware company had more than mere opinion. They knew. They were so certain of McKinley's election that they provided the biggest stock of goods in their history, ready to supply the demands of retailers when the buying wave got under way. Sure enough, after the election was over people began to buy. Prices of raw materials went up. Most wholesalers were unable to make prompt delivery. But the company that had found out

about the election, even before it happened, was ready. They could promise immediate delivery, and they had bought their goods while the articles were still cheap. They had a big advantage over their competitors; and yet the nation-wide poll that gave them this information cost practically nothing, for their men would have been talking politics and learning the same facts anyhow.

This company is equally careful to have its men turn in daily reports of weather—temperature, rainfall, and so on—and also information regarding conditions of crops. They even arrange to get information about the weather in England. And how does English weather enter into the situation? Here is the idea: An unusually warm, rainy spring in England will mean a demand earlier than usual on English manufacturers for pruning shears, scythes, and such articles. This in turn will mean that the manufacturers will be less able than usual to make prompt shipments of such goods to America. Wholesalers in this country, therefore, must either get their orders in early or arrange to get the goods elsewhere.

Likewise a rainy March and April in any section of the United States means that there will be a big demand for haying scythes and sickles and lawn mowers there in June. Under the law of averages a certain number of men out of every thousand who need lawn mowers buy new ones each year. But the number of those who decide to get new ones, instead of making the old ones do, depends

on the luxuriance of the grass. So, too, there is a definite relation between a dry spring and the number of persons who will buy new lengths of garden hose.

Throughout the wheat-growing sections of the Northwest, this hardware company has found, there is an almost exact relation between the size of the wheat crop and the purchasing propensity of the average man on the street. It matters not whether a man in that section is a farmer or a journeyman plumber. He may not know it, but he spends his money according to the amount of wheat his neighbors have in their barns. When the wheat is sold a sum of money is placed in circulation. A certain definite ratio of this money goes to hardware merchants. These merchants, of course, buy new stock according to the amount of business they do. Hence the advantage to a big wholesale-hardware concern of knowing the size of the wheat crop without waiting until it is threshed to find out. They can tell almost to the penny how much they will sell in any small hamlet, as soon as they get enough facts about the weather in that section to enable them to forecast the size of the wheat harvest.

In the Treasury Department at Washington is a man by the name of Joseph S. McCoy, who, though he works in comparative obscurity, is one of the most notably useful men connected with the Government. He deals with statistics, and is by education an expert mathematician; but much

more important than his knowledge of figures is his knowledge of the average man. It is the knack he possesses for translating human nature into figures that makes his work so valuable. Without McCoy the legislative committees that deal with the subject of taxation and the raising of revenue would feel practically helpless

One of McCoy's tasks is to tell the Ways and Means Committee how much money a given taxation measure will bring in. That doesn't seem so difficult until you pause to think the proposition over. When a big revenue bill, such as the Underwood Tariff Bill, is drawn, the men who prepare it would have to work entirely in the dark unless they were able to get fairly accurate information on how much each item will provide. If the entire bill were estimated to bring in a billion dollars more than it does in actual practice the Government would be seriously embarrassed. There was a certain item of goods on which the import tax was ten per cent. It was planned to increase this tax to thirty per cent. Now it does not follow that the tripling of the tax would triple the revenue; for as a thing becomes more expensive fewer persons buy it. For example, if we charge ten cents admission to a picture theater we can get a big crowd and thus derive considerable revenue, but if we charged two dollars we might not get any paid admissions at all.

So it fell to McCoy to figure out what the income would be after various new revenue features of the

Underwood Bill were placed in operation. And in almost every instance he estimated with uncanny precision. He was able to tell in advance about what the returns of the income tax would be. In 1913 he estimated that the corporation tax for the year ending June 30, 1915, would be in the neighborhood of thirty-nine million dollars. I do not now recall the exact figures, except that he came within a mere $144,000 of complete accuracy.

It was desirable, for revenue reasons, to know, in 1901, what the census of the United States would be in 1910. McCoy came within a fraction of one per cent. of the figures that the Census Bureau obtained from an actual count of the population; in fact, McCoy was perhaps nearer to absolute accuracy than the Census Bureau itself was, for even in making a count there is an inevitable element of error. And yet he made his estimate nine years in advance!

How does he do these things? Simply by utilizing his knowledge of everyday human nature—and the law of averages. When he sought to know how much the population of the entire United States would grow in nine years I'll venture to say that he first examined the rate of growth along the street where he lived. Then he took other streets and compared them—and rural communities, picked at random. He probably figured that what would be true of these sample streets and localities would be true all over, for human nature is practically alike everywhere. He found out what kind of men

were having large families, and how numerous such men were in the average community. And he looked into the conditions that might increase immigration to this country.

One afternoon McCoy might have been seen standing on a street corner counting the number of automobiles and pedestrians that went by. Then he took a pad and pencil and did a little figuring. In a few minutes he had an estimate of the number of automobiles in Washington. He afterward got the actual figures from the District government and found that his estimate was practically correct. How could he tell that after seeing only the autos that passed one corner? Simply by comparing the number of autos and pedestrians with the total population of Washington. Later he went further and made a guess as to the number of autos in use in the United States. And he was not far off on either—as a more complete investigation proved. His figures were used as a tentative basis for a proposed war tax on automobiles. Think of a man's standing on a street corner and telling, just by means of what he can see there with his own eyes, how many automobiles there are in the whole United States!

Of course I do not wish to be understood as saying that he could make an accurate guess without taking various factors into consideration. He gave not a little thought to the relative purchasing powers of people in the city and in the country, the kinds of roads in different parts of the continent,

and the amount of gasoline annually consumed in the United States. But always his chief guide toward accuracy was the simple law of averages, and the fact that human nature is much the same no matter where found.

When there was talk of a war tax on club dues and admissions to moving-picture theaters McCoy was asked to submit estimates of the number of persons who belong to clubs and attend the movies. He had the figures the next day, and they were fairly accurate. In arriving at the number of clubs men belong to he simply made inquiry of every man he met. He found that one man out of every so many is a member of some kind of club. There are a great many more clubs, by the way, than people realize. It is not uncommon for one man to belong to several clubs, which brings up the average.

In trying to tell how many persons each day go to see the celluloid drama McCoy started his inquiry simply by asking his wife how often she went to a movie. Then he asked her how often her friends went. He happened to see a comic strip in an evening paper about a woman who went down town ostensibly to do shopping, but who attended three picture shows, one after another. That set him thinking, and he made inquiry as to the number of women who go to more than one show each day, thus boosting the average.

He didn't have to ask in Kansas or California, but right in his own neighborhood—among people

he knew. For he was willing to assume that if there are men or women in Washington who can't get enough movies to satisfy their craving there must be just such men and women out in Idaho and elsewhere. Well, McCoy figured it out that twelve million people each day in the United States witness the moving pictures. Some of the big picture producers and officers of their organizations were at first inclined to dispute McCoy's figures. But after they had examined into the thing thoroughly, checking up every available record, they gave it as their opinion that McCoy had somehow or other contrived to hit the nail on the head. And he had found all this out, mind you, just by casual conversation. He let the law of averages do most of his work for him.

Circus men have long observed that there are definite relations between the things people do and the size of the crowd. A number of men and women out of every thousand are sure to forget their change at the ticket window. The "walk-aways," as they are called, who forget their change, but do not know they have done so, and never return for it, are worth about twenty dollars to the ticket-seller in an average big circus crowd. When the crowd grows bigger, the amount of change thus left not only becomes larger, but at an increasing rate, as the mathematicians say—because people are more tense and nervous in a big crowd, and consequently, more likely to be absent-minded and forgetful.

An amusing thing about a circus crowd is this: Fully nine out of every ten persons, on the average, who talk to a circus man at the show grounds, are certain to ask him exactly the same question, to wit: "Where do you go from here?" Mind you, they do not say, "Where does the circus appear to-morrow?" or "What is your next town?" or any of the other numerous possible variations of the query. Always it is: "Where do you go from here?" And, as I say, the question is asked by nine out of ten of all the people who chance to engage a circus man in casual conversation.

Those who sold Liberty Bonds in theaters discovered many interesting things about crowds. It soon became an established fact, even in the earlier bond campaigns, that the subscriptions bore a direct relation to the contributing factors at any one particular theater. That is, it all depended on the kind of crowd, the size of the crowd, the personality of the speaker, and the sort of speech he made. The audience at a ten-cent moving-picture theater would not respond in the same way as the audience at a fifty-cent picture theater, or at a $2.50 drama. Because of the sheep instinct in people, a number of large subscriptions "planted" in the audience nearly always give a big impetus to other bond sales. If the speaker had a pleasing personality and injected a little humor into his talk—and the humor actually made the audience laugh good naturedly—he sold more bonds than if he adhered strictly to ponderous argument. In-

deed, too much argument about so obvious a fact as the patriotic necessity and wisdom of buying Liberty Bonds had a tendency to check the sale. People regarded it as presumptuous on the part of the speaker, almost as an insult, if he essayed to tell them their duty. They preferred to have him say: "I appreciate that you know your duty and that you will be equal to the situation."

While no statistics were gathered along this line, it was altogether evident to the experts in charge, that if they could have known the value of each factor of influence—and to have learned this would not have been impossible—they could have told in advance, by means of the law of averages, the exact amount of money that any one particular crowd would subscribe.

It is within the realm of things conceivable that this funny little law of averages may some day be hitched up and made to perform vitally important service that nobody thus far has ever dreamed of. Like electricity, it is a force that lurks about us all the while, and the extent of its use is limited only by our ability to see the possibilities of its application.

CHAPTER III

CASHING IN ON FOOTSTEPS

To a man owning a store with things in it that he wishes to sell, nothing could be much more important than footsteps. The more footsteps that pass his door, the more chance he has to do a satisfactory business. This is all obvious enough, and yet it is only within comparatively recent years that business men have been really taking footsteps seriously. It used to be that a man would rent a store location and rather trust to luck that there would be more footsteps there than at some other available place. To-day he is likely to *count* the footsteps in advance, before deciding where his store shall be. A famous cigar company has made a phenomenal business success by doing that very thing. Each one of the twelve hundred or more prosperous stores that they operate is dedicated to the principle that footsteps are the most vital item in retail trade. By counting footsteps, this company has discovered, more than once, that where they might rent a room for five hundred dollars a month on one side of a street, and lose money, they might rent a similar

room right across the street at one thousand dollars a month, and make a profit. It all depends on how many pairs of feet pass the store.

Whether it is cigar stores or apple stores, it is possible to operate them with almost mathematical certainty. A definite number of men and women out of every hundred, or out of every thousand, on the average, will buy apples if they pass by where apples are temptingly offered. If men are more inclined to buy apples than women, then one can afford to pay more for a location where men's footsteps predominate. It is on that basis that the best place for a cigar store in the whole United States happens to be at the corner of Broadway and Wall Street, in New York City. The traffic is almost continuous all day long, and most of the persons passing are men.

Another wonderful cigar store location is at the northeast corner of Broadway and Forty-second Street, in New York—which is probably by far the busiest corner in the United States. The traffic there is practically ceaseless throughout the twenty-four hours. As long ago as 1911 a count covering five different days showed that an average of nearly three hundred thousand persons passed there daily. By now the traffic is vastly in excess of that figure. While from the point of view of a man selling cigars, the proportion of women in the crowd at Broadway and Forty-second street is unfortunate, yet the location is only a trifle less desirable than the one down at Wall

Street, because there the business is active during only about nine hours.

At one time, the busiest corner in the United States was, strange to relate, in Newark, New Jersey—at the intersection of Broad and Market streets. But that corner comprised an exception to the rule that the value of retail property depends on the number of persons passing the property. The Newark corner, even when it was the busiest in the country, was not the most valuable. It was a transfer point from various car lines, and the traffic was out of proportion to the size of the city. Therefore the purchasing propensity of the people at that corner was not up to the average for the amount of traffic. The condition, being a freakish one, necessarily had to be an exception to the general rule. At the present writing, because of the diversion of a car line or two, the traffic at Broad and Market streets has been reduced, and Newark no longer can boast of having the Busiest Corner.

Now, the number of purchases at a cigar store, and the amount of each, will vary according to the character of the traffic. Obviously, the greater the proportion of women, the less desirable the location for selling cigars. In the long run, however, one man out of every one hundred and twenty-five who pass a cigar store will go in and buy. Men in one locality may buy more expensive cigars than those in another locality, but when one has a string of stores the average is

practically the same the country over. Naturally, a cigar store with a competitor next door will not do as well as one having an entire block to itself, but the thing averages up. And the same principles that govern the sale of cigars operate in selling any other everyday commodity.

As the price of the article sold increases, the definite relation between passers and purchasers decreases. A dealer in pianos cannot count on selling to any fixed number of persons out of every ten thousand who pass. When a man is in the mood to spend five hundred dollars for a piano, he is willing to go many blocks in quest of a place where he can get the most for his money. But, even then, the location doubtless tells the story in the long run. The piano display of the dealer where footsteps are thickest is seen by more people, let us say, than the display of his rival. Quality of goods and everything else being equal, a customer will recall first the piano store he has passed most frequently.

So far as the cheaper articles are concerned—the ones that people buy on impulse—the effect of footsteps on a department store is just as definite as if the articles were sold in a small shop. For that matter, the effect is fairly definite—as in the case of pianos—with regard to the higher-priced articles; but it is indirect, rather than direct. For example, women's cloaks are usually the most profitable thing sold in a department store—for the amount of floor space occupied. Now, an

average woman about to buy a cloak may, perhaps, walk all over the retail district before she makes her final selection. But the department store in a location that she passes most frequently is doubtless the first one that she thinks of when the cloak-buying notion strikes her.

A friend and I were walking in front of a five-and-ten-cent store which occupied one of the most valuable locations in the business section of a big Middle Western city.

"How can a store like that afford to pay such a big rent?" wondered my friend. "I should think they would do about as well over in a cheaper section of town."

The answer is, of course, that a store selling a variety of low-priced articles in everyday use may better afford to pay a big rent, if it conserves its floor space, than any other kind of establishment. It is possible for the proprietor to know in advance just what his monthly income will be. And he can judge, therefore, with the facts before him, whether the rent is high or low. He knows how many people daily pass the proposed location, and, approximately, what ratio of these people will buy each of the principal articles he is going to sell. Therefore, when he binds himself to pay a high rent, there is little risk about the obligation. He knows just what he is about. Thus it is that five-and-ten-cent articles lend themselves readily to the upbuilding of successful chain stores over the country. One cannot be entirely certain of

the income from one store, because of varying conditions of competition, but with a chain of stores there is every presumption of keeping to a definite average between the daily crowd on the street and each article offered for sale.

The cigar company with its hundreds of stores has figures that reveal many traits of human nature. It knows almost to the penny how much loss of sales will result from a certain velocity of wind. A rainy day, or a windy day, in New York, generally speaking, costs the company about four thousand dollars. The reason is obvious: it is not pleasant to smoke in a high wind. Many men do their smoking while walking along the street—because anti-smoking regulations prevent them from doing so in street cars or in certain buildings. If they are driven into street cars or buildings by wind or rain they worry along without their smoke.

This company even knows the approximate ratio between the mass of passing pedestrians and those who will wish to use a telephone. For that reason all the company's stores have pay telephones on the counter to attract men inside. A certain ratio of all who come in to telephone buy cigars before going out.

Many a business location is not as good as it looks. Here is a place on the busy side of the street; but the rents are too high. A man trying to sell cigars or gingersnaps there even in a small space will lose money. Across the street fewer people pass—but the difference is less than is

generally supposed. An actual count shows that the busier side is only fifteen per cent. more than the side opposite. But the rents on the quieter side are thirty-five per cent. lower. Taking the rent into consideration, the "wrong" side of the street may be the more profitable.

If there are two cigar stores or two drug stores on opposite sides of the street, and one of them is closed down, or consolidated with the other one, the expectation might be that the one remaining would get practically all the business of the store across the street. But, strange to say, that doesn't happen. Rarely will more than twenty per cent. of the business of the closed store go to the other one. When a store shuts down, its business scatters in all directons, like the fragments of a sky-rocket. The store on the other side of the street does not necessarily attract the man who was never in the habit of going there. He is just as likely to shift his trade to a place ten blocks away, on the same side of the street. This is more than ever true, in big cities, since automobile traffic became so heavy. It is no small task to cross a street these days. A man will not do it unless he has to.

On the other hand, if two stores are being operated side by side, or even within a few rods of each other, the closing down of one would make a big difference.

The item of habit must be reckoned with in another way. If a man has been dealing at a cigar

store three blocks from his office, and a new one opens up only a block away, he may keep on going to the more distant store, solely from force of habit. He probably does not even notice that the new store is there. Most people are unobservant. Hence a brand-new store will seldom do as much business, at any given location, as if it had been there for a long time.

CHAPTER IV

CANDY AND SODA

A CANDY store and soda fountain next to a five-and-ten-cent store will have more trade than if in a location, otherwise equally good, next to a piano store. And if it is next to a moving-picture theater in the suburbs, with all other conditions advantageous, it is in the best place of all. It is to be noted that many candy and soda stores are moving into rooms next to the moving-picture places. The movies have hurt the sale of the cheaper candies somewhat, because the youngsters who formerly saved their pennies for candy now spend them to see the pictures. But when a young man takes his sweetheart to a picture show, he is quite likely to escort her gently but firmly to a candy and soda establishment afterward and let her order whatever she likes. He realizes that the evening's entertainment has been less costly than if he had gone to a regular theater, and he feels as if he ought to do something else just to show a proper appreciation of her agreeable society, and to demonstrate that the mere item of expense is to him a thing of scant consequence.

Another item to be considered is the fact that

many happy young couples quietly munch candy while witnessing the movement of events on the screen. Such a proceeding might excite unfavorable comment in a well-lighted, high-priced theater, but in the darkened home of the silent drama it can be done and still leave one's social status intact.

This influence of the moving pictures on candy and soda sales is slight, however, in downtown locations. The person who comes out of a picture theater in the heart of a city is not at all in the same mood as the person who comes out of one in the city's suburbs, or in a quiet little county-seat town.

A candy and soda store in a small city where three thousand people pass its doors each day will do more business than if it were located where three thousand people pass in a large city. And, all other conditions being equal, it will do still better with exactly the same amount of traffic in the suburbs of a large city. It may be set down as a rule that the smaller the town or suburban place, the greater the percentage of passers-by that will enter the store. For some reason, a man strolling along a street in a small town or in the suburbs is much more disposed to pause and buy candy or soda water than he would be were he walking through the heart of a great, thriving city. Perhaps it is because in the quieter locality unless he eats candy there is not much else for him to do.

Having learned all the conditions that affect the candy and soda business—and this might be equally true of similar retail business—it is said to

be possible to predict within one tenth of one per cent. the relation between traffic and buyers. In other words, if one had all the necessary information at hand, one could foretell how many buyers and not miss it more than one person for every thousand. It does not follow, understand, that because so many people out of a thousand enter a store one day the percentage would be the same the next day. Conditions would have changed. The day of the week would be different, and doubtless there would be a slightly different temperature. Every little item affecting people's tendency to buy must be taken into reckoning.

More candy and soda water are sold at three o'clock in the afternoon than at any other time of the day. The next best hour is about eight o'clock in the evening. But eight per cent. more candy and soda are sold at three o'clock than at eight.

Only about one half the force necessary to handle the afternoon business is required at a candy and soda place in the forenoon. Except at stores where they serve noonday lunches along with the soda, the best forenoon hour is eleven o'clock. From then on the business keeps dropping until twelve. It climbs steadily from that time until three o'clock.

Five women buy soda water to every four men, making a man only four-fifths as good a soda prospect as a woman. On candy the two sexes average up about fifty-fifty. Women buy candy oftener than men, but men buy more at a time.

The average candy purchase, so one investigation showed, was just a fraction short of twenty-five cents. This included the expenditures of small boys who go in and get a stick of candy for a penny, and of adults who think almost nothing of dashing in and buying five pounds at a dollar or more a pound. All averaged up to about a quarter a purchase.

Candy sales mount up in winter because cold weather creates a demand for the heating effect of sugar. Hence the best place to do well with a candy store is in a cold climate. It is never too cold for the candy business. However, this does not mean that one might not sell more candy in New Orleans than in Fairbanks, Alaska. Climate is only one of many items. A candy manufacturer told me, though, that it is rather difficult to make a retail candy business pay south of Mason and Dixon's line. When candy sales drop off in summer, soda sales show just about a corresponding increase. People naturally like cooling drinks on hot days. Yet there is such a thing as having the weather too hot. When the thermometer rises beyond a certain point—which point varies according to what people in the locality feel that they can endure—the total of soda sales will be less than if the temperature were not quite so high. This seems surprising, and yet the explanation is simple enough. The weather is so hot that nobody wants to make the exertion necessary to walk to the soda fountain. However, on an atrociously

hot day, though the total sales of soda may be lower than usual, the number of sales compared with the amount of traffic on the street is exceptionally high, because many of the people on the street are there for the sole purpose of walking to a soft drink dispensary. From seventy-two to ninety degrees Fahrenheit seems to be the best for soda sales.

No two days of the week are quite alike for the sale of either candy or soda. The best day is Saturday, especially for candy, because people take it home for over Sunday. Monday is a good candy day, because many of those who did not lay in a supply for Sunday got hungry for it, wished they had, and determined to buy some the next time they were down in the business section. Any day of comparative idleness, such as Sunday, causes people to think of candy. They eat it not so much to appease their appetite as just for something to do. There is a certain restlessness that can be disposed of by munching candy or peanuts or by whittling a stick. Country storekeepers have often noticed that among their loafers the habitual whittlers are less disposed to help themselves to dried apples.[1]

[1] The facts and figures in this chapter regarding candy and soda were gathered without reference to the effect of prohibition—which is supposed to have a marked tendency to increase sales of both candy and soda. Just what this effect may be under nation-wide prohibition of alcoholic comfort, neither the author, nor those from whom he got his information, pretend to know

CHAPTER V

MEN'S MOODS AT THE LUNCH HOUR

NOT even so personal a thing as the way a business man desires to spend his noon hour is exempt from the law of averages. By studying all the conditions, we may tell not only what a man prefers to do at his luncheon period, but also how to make him act according to *our* wishes.

An advertising man and statistical expert by the name of Jay Lee Cross once devoted much thought and study to this phase of human nature. Cross was serving on a committee of the Cleveland Advertising Club, and it fell to his lot to make the arrangements for noonday luncheons and addresses which the club was in the habit of having nearly every week. Sometimes practically the entire club membership of more than four hundred would attend these gatherings; often there would be only a mere handful of members. As the food for the luncheons had to be ordered in advance and paid for whether used or not, it was extremely annoying and frequently disheartening to be without any way of telling how many would be present. They thought of having the members buy tickets in advance, but this did not seem satisfactory, for

the average business man dislikes to book himself very far ahead. He prefers to wait until the last minute, and then go to a meeting or stay away, according to the way he feels.

Cross began to take note of the weather on days when a meeting brought out only a small crowd. He saw that there was an unmistakable relation between the crowd and the weather, with regard not only to rain or sunshine, but to temperature. He found out by further observation that a great many other factors besides the weather went to determine the size of the crowd.

An important item was the day of the week. Men are busier on some days than others. But, even if he is busy, a man may leave his office, provided the attraction is great enough. He probably would not turn round in his swivel chair to see a mere Congressman, but would walk through slush and sleet to hear a heart-to-heart talk by the President of the United States. And no matter what the attraction is, more men will go to see it if it is cleverly announced. For example, if a famous actress were to give a Lady Godiva performance in an enclosed arena and you received a poorly printed handbill casually telling you to come, you would not give the occasion the same earnest consideration that you would if you were urged to be present in a cleverly worded letter, written on high-priced handmade paper, and personally signed by the woman's manager.

For four years Cross kept close track of about a

dozen different items affecting attendance at the club meetings. At the end of that time he compiled his figures on an elaborate layout of charts. He believed that from these charts he could forecast with reasonable accuracy the attendance at meetings from then on. He put his theory to a test, and the results were astonishing. After repeated trials he found that he could tell almost exactly how many men would gather together to hear a certain address on a certain day. Not infrequently he predicted the exact number. It was not uncommon at all for him to tell within one or two of the total number, out of a possible four hundred or more, and the farthest he ever went wrong was predicting four men too many.

As a result of these observations, covering several years, Cross was able to set down, with rather positive assurance of their accuracy, a great many of the average traits and propensities of the average business man.

For example, Cross discovered that in the long run a business man can be enticed away from his work more readily on Wednesday than on any other day of the week. The chances are that Wednesday is also the best day to try to sell him something. Monday is the worst day of all, because an extra large mail has accumulated over Sunday, and a man has a tendency to begin each new week with the intention of taking a flying start, sticking close to the job, and accomplishing greater things than ever before. By Tuesday this

first-of-the-week enthusiasm over his work has abated somewhat, but not so much as on Wednesday. Then the rush of the fore part of the week is over, and the rush to clean up everything possible before the end of the week has not started. Friday is the second best day of the week to lure a man from his desk. With the exception of Monday, Saturday is the worst day. Tuesday and Thursday are about a tie, but Thursday is a trifle the busier day of the two.

The ideal weather condition to bring people out is a cool, fair day in the spring or fall. This is especially true in the spring, for after being housed up all winter people like an excuse to get out and go to places. The most unfavorable weather is extreme heat. The average man would rather go out in the rain than on a day that is bright and clear but too hot. After the temperature climbs to a certain point he begins to make excuses when you ask him to join in any undertaking requiring physical exertion. Cold weather does not keep people indoors nearly so much as does heat or rain. Snow has little effect one way or the other—that is, a man will not go out on account of the snow, as he might on a beautiful balmy day in spring; but, on the other hand, the snow will not deter him from going. Slush, however, is something else again. It ranks with rain as an obstacle.

If you wish to announce a thing to a business man there is nothing so effective as a good letter. But, understand, it must be a good letter, well

worded and not too long. A good post card announcement, or a good announcement in a cleverly printed circular, is better than a poor letter. And Cross learned by experience that inclosing a return post card with an announcement was just twelve per cent. better than the same announcement without any return post card. It is human to deplore wastefulness, and a man dislikes to throw a perfectly good post card into the waste basket. So he takes it and writes on the little dotted line whether or not he will come to the meeting. Having taken his pen in hand to write "Yes" or "No," he rather shrinks from writing that he will not come, for he feels somehow that it makes him out a quitter. So if in doubt he writes "Yes." And having written that he will come, he dislikes to break his word. Such are the advantages of the return post card.

It appears that business men are fond of music. Just put the word "Music" on an announcement of a business gathering and, with all other factors equal, about twenty per cent. more persons will come than if you said nothing about any music. At least that was Cross's experience. If you go farther and tell just what the music will consist of, the pulling power of this item may be as much as fifty per cent. greater.

The average business man would rather be entertained than instructed. If you were to get hold of a world-wide authority on the very line of business a certain group of men are interested in,

and invite those men to come and hear him make an address, you probably would not get so large a crowd as you would if you told them that Harry Lauder would be on hand to sing funny songs.

Next to being entertained, however, a business man would rather hear a discussion of some phase of business in which he himself is especially interested. After that his favorite topics are those dealing with either politics or finance. The number of men who will go to hear an address depends to a surprisingly large extent not only on the prominence of the speaker but on the town he comes from. The best drawing card of all, as Cross discovered by scores of tests, is a prominent public official—the more prominent the better, on up to the President of the United States.

Leaving out of consideration a man's personal prominence and the job he holds, his drawing power varies according to his city. If he is a local man he does not excite the interest he would if he were from out of town. And if he comes from New York, everything else being the same, he is just eight per cent. more of an attraction than if he came from Chicago. In the long run an unknown speaker's pulling power is in almost direct ratio to the size of the city from which he comes. An announcement that John Jones is coming from Toledo, Ohio, is taken more seriously than a similar announcement about John Jones of Poughkeepsie, N. Y. No one ever heard of either Jones, but Toledo is larger, and men think, therefore, that

Jones from Toledo must be better qualified to discuss whatever it is he is going to discuss.

Two speakers will usually attract a bigger audience of business men than only one, but three will not attract as many as two. You see, it is impossible to pick one man who will appeal to everybody, but with two speakers there is a chance that those who do not care for one will like the other. The idea of three talkers scares a certain percentage of men away, because they fear that at least one, if not all three speakers, may talk too long. It is human to nurture a horror of being bored. Cross learned that though two is the ideal number of speakers for a businessmen's gathering, three speakers are almost exactly the same as one in drawing power. And if there are more than three, the drawing power is in inverse ratio to the number. Not quite so many will come to hear four men talk as to hear three, and the audience will be smaller for every speaker added until, if you have enough speakers, there will not be any audience at all.

CHAPTER VI

FOLLOWING THE CROWD

If you stop to observe the crowds on the street in the business section of almost any city, you will discover that the shady side of the street is the busy side. The south side of east and west streets, and the west side of north and south streets—or in other words, the side that is shady most of the day—gets the greater amount of pedestrian traffic.

There are, of course, occasional exceptions, due to some unusual condition, but, generally speaking, the busy side of the street is the shady side. And this is true not only in summer, when people seek the shade to escape from the heat of the sun, but in winter when the sunlight might feel altogether acceptable. The reason is that the shade in winter tends to prevent thawing, and that side is, therefore, less slushy. It is the dry side. This would not apply, obviously, to localities where there is no snowfall; but even an occasional snowfall has more effect than one might at first realize—because it encourages people to form the habit of walking on the shady side.

As a general proposition, the traffic on the shady

side of the street will average up about twenty-four per cent. ahead of that on the sunny side. If you have a store on the shady side of the street in Hicksville, or New York, the chances are that twenty-four per cent. more people walk by your place each day than pass the stores right across the way. No matter what hour of the day you make a count of the traffic, the one side in an average location is just twenty-four per cent. ahead of the other. As the traffic increases at the busier hours on the shady side, it makes a corresponding increase on the sunny side.

On Fifth Avenue, New York, the greatest shopping thoroughfare in the country, the difference between the two sides is perhaps less rather than more than usual. However, the west side of Fifth Avenue—the shady side—is distinctly the more crowded practically all the way along. An interesting oddity of Fifth Avenue traffic is that between Forty-second and Forty-fifth streets the crowd on the east side of the street contains more men than women, while on the west side there are more women than men. I have never found anybody who was able to explain just why this condition exists.

Pedestrian traffic shows a steady rate of increase from the time it starts in the dim, early hours of the morning until exactly twelve-thirty, at which time there are more people on the sidewalk than at any other minute of the whole day, except during the homeward rush between five and six o'clock

in the evening. From twelve-thirty traffic falls until about three-thirty, after which it has another steady rise—increased somewhat suddenly when the theater matinée crowds are poured out—until the homing crowd is unleashed at the close of the day.

Although the crowd is greatest at twelve-thirty and smallest in the afternoon at three-thirty, the percentage of people entering stores is much higher at three-thirty than at twelve-thirty. To be exact, the percentage of shoppers is lowest at twelve o'clock and highest at three. The reason for this variable percentage of shoppers is not difficult to find. At noon, when the traffic is the greatest, the majority of people on the street are there because it is the lunch hour. Any shopping they do is incidental to going out for a bite to eat. But at three o'clock in the afternoon the main thing that brings people to the street is the desire to look about the stores. A great many of those who were abroad at the noon hour are now toiling, —toiling in order that their wives and others may go forth and spend the fruits of their labor. Naturally, inasmuch as shopping is the reason for the greater part of the traffic at a certain hour, the ratio of shoppers to the total traffic then is exceptionally high.

Between eight and nine in the morning and from five to six in the evening there is a high peak of traffic on downtown cross-streets leading to main thoroughfares. If you were to count on the ordinary percentage of shoppers from this traffic

for those hours, you would go wrong, for the number of shoppers is astonishingly low. The traffic on these cross-streets at the hours mentioned consists largely of persons going to and from the street-car lines on the main thoroughfares. A person leaving his office for home at night, or going to it in the morning, is usually in more or less of a rush, and, therefore, not in a mood to stop and make purchases in stores he passes.

While the traffic on the shady side of the street is usually twenty-four per cent. more than on the sunny side, an exceptional condition may upset this average. For example, if most of a city lies to one side of a principal thoroughfare, as often happens in the case of a lake or seacoast town, that side of the main artery will get more than its normal share of the traffic. People are less easily enticed across a street in some towns than in others. Boston, for instance, is a conservative city, and its populace is inclined to be considerably bound by habit to do whatever it always has done. There is a street in Boston, leading to one of the railway stations, that is often so crowded on one side as to be almost impassable, and the other side is well-nigh deserted. A person walking along there could cross over to the quiet side and proceed twice as rapidly. One could save not only a good deal of time by crossing over, but also the annoyance of being jostled and shoved about. Yet so great is the force of habit that comparatively few cross the street in order to avoid the crowd.

In other cities habit has led people to cross certain street intersections diagonally. Just why the crowd should cut corners at one place and not at another seems to have no good explanation other than that it has become customary for people to do it just the way they do. An example of this corner cutting is to be found in the city of Youngstown, Ohio, where there is a certain busy street intersection that nobody ever seems to think of crossing at right angles. A number of cities have so-called "jay-walker" ordinances to prevent pedestrians from crossing streets diagonally, because of the danger from automobile traffic. It is entirely conceivable that such an ordinance might force enough additional foot traffic by a building to make a big increase in its ground floor renting value, and add thousands of dollars to the building's worth.

In a small village nearly the entire population of the place passes its busiest corner—or its nearest approach to a busy corner—each day. A smaller and smaller percentage of the population can pass the busiest location as the town grows larger. For instance, so I am assured by the experts, in a city of forty thousand only about eight thousand persons, or twenty per cent., will pass the busiest spot.

It will be only six per cent. in a city of six hundred thousand, and in New York it is barely two per cent.

The question might be asked: Is there any

important reason, other than the effect of sun and shade, why one side of a street should be busier than the other? Yes. Because more people usually live in one part of town than another. The average man has a tendency to remain on the side of a main thoroughfare corresponding to the side of the town in which he dwells. A man living west of Broadway, or west of Main Street, will probably stick to the west side, when he walks along Broadway or Main Street unless he has some good reason for proceeding otherwise.

The tendency of a pedestrian is also to keep to the side of the street where his business or destination is. He prefers to continue in a straight line and not turn a corner until he has to. A man's footsteps are just like a ball in a textbook on physics. They tend to continue in a given direction except in so far as his movements are interfered with by some other attraction. This attraction may be gravity, a pretty woman across the street, or the location of his office. Unless some slight necessity diverts him he will keep right on in the direction he starts.

If a man is walking along Fifth Avenue near Fortieth Street and wishes to go to Sixth Avenue and Thirty-seventh Street, he does not turn through to Sixth Avenue at once, and not even at Thirty-eighth Street, but waits until he reaches Thirty-seventh Street. If, however, he chanced to be walking along Sixth Avenue and his destination is a point many blocks away on Fifth Avenue, he

might turn through at once, for Fifth Avenue is the more attractive street of the two. There are so many pretty girls and so many more attractive shop windows on Fifth Avenue that a pedestrian might unconsciously regard that as a reason for deviating from his straight-ahead course; but, as I say, with all other conditions equal, a pedestrian will keep going right ahead without turning, just as long as possible. Straight ahead is the line of least resistance.

Sometimes the foot traffic may be thicker on one side for a reason that nobody can figure out. Years ago, on Sixth Avenue in New York, business was best on one side from Fourteenth to Eighteenth streets, but from Eighteenth to Twenty-third streets, the opposite side had the call. No one seemed to know why.

One might go on and try to figure out why more people live in one part of town than another. Naturally it depends on a thousand items—the price of residence property, the class of people, the presence, perhaps, of a lake or a view that forces up values in one place, or a nuisance that forces them down in another. With all other conditions equal, more people prefer to live on the east side of a town than on the west side; because the man who lives on the west side has the sun squarely in his face on his way down-town to work in the morning and in his face on the way home again at night, while the man who lives on the east side has the sun comfortably at his back both going and coming.

There are numerous cities where one may find trick corners—that is, corners where the traffic is either considerably more or less than one would think. On Chestnut Street, in Philadelphia, is a corner that looks extremely busy on a bright day. But on a rainy day the foot traffic drops off so much that the corner is conspicuously quiet. This pulls the average of the traffic so low that the location is generally regarded by experts as undesirable. If a stranger were to inspect the corner on a bright day he would be willing to pay twice as much rent as he would if he happened to see it in rough weather.

In Washington, D. C., is another peculiar corner. To begin with, the main shopping street in Washington has most of its traffic on the sunny side rather than the shady side, which is unusual. One reason for this is that the major part of the city lies to the sunny side of that street. Another reason is simply that more business happened to get started on the sunny side of the street than on the other side. One store attracted others, and the many stores attract crowds of shoppers. The corner I refer to is on the busy side of this main shopping street at the intersection of another business thoroughfare. So many people pass that corner every hour that it ought to be one of the very best retail locations in Washington. For several years it was occupied by men's furnishing establishments. But one after another of these failed to make a go of things.

I asked an expert one day why these stores had not prospered in so good a location. Without a moment's hesitation he told me, and the reason was so simple and obvious that I wondered why I had not known it before. It is a busy corner, but it is a woman's corner. Most of the traffic on the main shopping street is feminine. The rent for the corner location is necessarily high, because of the great number of passing footsteps, but most of the traffic is of no use to a store selling men's goods. It might be just the place for a drug store specializing on soda and toilet articles, or for a shop dealing in feminine *bijouterie* of one kind or another, but to try to sell men's goods there is unscientific, just as it would be even more unscientific to have a millinery shop on Wall Street, or a livery stable in Venice. Two or three doors from the freak corner mentioned one might have a haberdashery place and do well. For the volume of male traffic would be almost equally large, and yet the total traffic would be less, and this smaller total would mean a smaller rent—enough smaller, perhaps, to let the business show a profit.

At Broadway and Forty-first Street, New York, is a prosperous big grocery. If that store were moved a few rods north, to the southeast corner of Broadway and Forty-second Street—which is the busiest corner in New York—it is doubtful whether the establishment would pay so well, because the rent would be vastly higher, and the big increase in traffic would do the store comparatively little

good. In the first place, many groceries nowadays are sold by telephone, and, moreover, those who go into a grocery establishment rarely do so on the spur of the moment. When you set out from home purposely to buy a staple article like a can of codfish, it doesn't matter much whether the store is on the corner or just around the corner.

One of the most predominant of human traits is what one might term our sheepliness—the tendency to follow the crowd, to do what the rest of the herd does. When I was a lad I witnessed a practical joke that a traveling man played on our town. He went to nearly all the clerks employed in stores facing the courthouse square and got them to agree to drop everything, unless actually waiting on a customer and rush hatless toward the front door of the courthouse when the town clock struck three. The clerks did this, and practically everybody on the streets in that part of town—nearly *a hundred* men women, and children, by heck!—did likewise. They rushed pell-mell into the courthouse because they saw others hurrying in that direction. While they were doing this the clerks, who had started the great movement, slipped out the side door of the courthouse and returned quietly to their places of business to watch developments

A New York restaurant man thought of a way to make capital of this follow-the-crowd trait. He had an attractive little restaurant, neat and clean, and good food well served. Yet he was not

doing a successful business. People who passed his way were not aware of what a good restaurant it was. They had got into the habit of going to other eating places and they kept on going to those places, preferring to let well enough alone rather than to take a chance on something untried. The fact that nobody turned in at the restaurant kept people away. Nobody likes to eat in a restaurant where other people do not eat; they assume that there must be something wrong with such a restaurant. But if the proprietor could once get people started entering his door others might follow. So here was the scheme that the proprietor tried—and it proved successful: To every one of the comparatively few who bought a meal of him he gave two meal tickets, good on a certain day, provided they were used at the noon rush hour. In consequence of this there was a jam about his doors one noon that attracted attention. Those who saw the crowd assumed that the restaurant must be a good one else it would not be so popular. Many of them decided to try a meal there at the earliest opportunity. Gradually pedestrians began to turn in at that restaurant door, and everybody who went in helped to put the idea into the heads of others. Nothing is more natural, if you are hungry, than to enter a neat-looking restaurant that seems to be attracting crowds of other hungry folk.

Lights have a great value in attracting human beings, just as they have for various winged insects.

A certain storekeeper put a bright light in front of his place. It had the effect of making people stop to look into his window rather than into the window of his competitor next door. Then the competitor got a similar bright light. These lights, instead of merely offsetting each other, had the effect of stimulating trade in both stores; for they created a sort of center in that locality. Other merchants increased their illumination, until pedestrians abroad in the evening walked along there rather than elsewhere. Somehow that part of town seemed more cheerful and inviting. And the more persons that walked along, the more business the stores did.

Anything, whether lights, crowds, or music, which lures a man from home in the evening helps business. It stands to reason that the man who leaves his home on any pretext whatsoever will probably spend more in the long run than the man who is not enticed from home at all. The part of Broadway, New York, known as the Great White Way is an example of what plenty of light will do for a thoroughfare. Thousands of persons walk along there every night because everything looks merry and bright and cheerful. And thousands who are not attracted by bright lights walk there, looking at the lights, because they see other people walking along and looking at the lights. They desire to be where the crowd is.

One of the strange caprices of the pedestrian throng was shown a few years ago in Houston,

Texas. At the intersection of two principal streets was the busiest corner in town. A cigar company had a store on that corner. The property was bought for a big bank building and the cigar company had to move. It had its choice of establishing a store alongside of the bank building, or seeking a location on one of the other three corners at that intersection. The location next to the bank it did not consider at all, for reasons that will appear later. The two corners that ranked second and third in desirability were unavailable. That left the cigar company only one corner—the quietest corner of the four. So they took that one. And then what do you suppose happened? Traffic began to increase at that corner until it was the busiest of all—busier, even, than the one that had been first choice.

This was due partly to the fact that the cigar company used a lot of brilliant illumination about its place and partly because the bank on the busy corner made the traffic there decrease and seek an outlet elsewhere. Men who have studied location values always advise against placing a retail establishment—particularly one dealing in everyday articles—next to a bank. The idea is that a bank makes for a dead locality. Or at any rate, it tends to decrease rather to increase traffic. Being open only about six hours a day on the average, a bank has drawing power only for those six hours. Moreover, a bank has not much drawing power even when it is open. Few persons

have occasion to visit a bank compared with the total number on the street. Most of those who do enter it have their minds occupied with finance and are in no mood to stop and buy a cigar or a gingersnap, or whatever is sold next door.

I heard a retail expert bewailing what he called the flagrant waste of valuable retail locations by banks.

"Over there's a bank building on the best retail corner in town," he said, "and what good does it do the bank? Just as many people would deal with the bank if it were three doors up the street in the middle of the block. But not so many would enter a retail store two or three doors away as would if it were where the bank is. Putting a bank on a busy corner like that is an extravagance."

However, from the banker's point of view, the location may not be an extravagance. The bank may derive much indirect benefit. Every man who passes that busy corner is impressed not only with the fact that the bank exists, but that it is a bank able to build on a valuable piece of ground. This bringing of the bank to people's attention, along with the visible suggestion of prosperity, doubtless leads many a person to do his banking there instead of at another institution up the street.

Occasionally a business man has to consider whether he needs a volume of ordinary traffic or quality traffic passing his door. There was the

case of a big automobile concern manufacturing one of the highest priced cars on the market. This concern was seeking a new location for its salesroom in New York. It was obvious that one side of Broadway, at the place they had in mind, was busier than the other side—but this was true mostly at certain rush hours, because of the presence of a multitude of working men, and clerks, of modest salaries. Traffic on the other side of the street, while not so thick, seemed to be more leisurely, and contained, apparently, a greater number of persons who could afford to buy high-priced automobiles. Moreover, because there were fewer people in the way, anyone interested in buying an expensive car would have an opportunity to look into the display window without being jostled about. The concern decided, therefore, that the less active—and less expensive—side of the street was best for its purposes, even if the rent had been the same.

For similar reasons, by the way, a merchant must be careful with his window displays or he will attract merely idle curiosity seekers rather than potential customers. If a furniture-store man fills his window with a colony of prairie dogs he is likely to have the sidewalk in front of his place blocked by small boys; and persons walking by, who may have an intention of buying furniture, will be so annoyed at having to walk round the crowd that they will probably buy their goods at some other store.

Footsteps make values and footsteps take values away. The manager of a department store decides to move two blocks east because, while fewer people will pass his store there, he will have a newer and more attractive place and the rent will be so much lower that he will not require the same gross income. And he figures, too, that presently the retail center will go in that direction. Another big store or two follow his example. Now these stores are high-grade establishments, having a reputation for giving good values, and they have a big list of customers.

Not all these customers follow them to the new location, but a great many do. That means fewer footsteps in the old location, and there is more disparity than ever between the rent asked and the value given. In other words, the rent costs are constantly going higher, and the property owners do not overcome this by making improvements. Still more establishments move up the street. And when they move they take footsteps with them. Before long the block or more that was once the heart of the retail section is dead. And it will stay dead. It is too late now for the property owners to make improvements. The footsteps that made the values have moved along and will return no more.

Nearly every growing city sooner or later witnesses the phenomena of footsteps moving up the street and forming a new retail center. It may be because property owners blindly force footsteps

and values away, or it may be simply because the city is growing more rapidly in one direction than in another, and footsteps follow—as is their habit—the main arteries of traffic.

CHAPTER VII

STREET CARS AND PEDESTRIANS

ONCE there was a prosperous retail merchant who did not fully comprehend the ways and caprices of the humble pedestrian. He picked up his newspaper one evening and read with much satisfaction that his city was to have an additional through-car line to the suburbs. This indicated not only that the town was showing a healthy, substantial growth but that it was progressive. The merchant assumed that as the town grew he would grow with it. Another good car line would be another means for shoppers to get in from the outskirts. This meant more business, and he, of course, would get his share. As he thought of the new line of transportation, with its bright new yellow cars, he unconsciously pictured many of the passengers—in fact, a big proportion of the passengers—carrying large bundles of costly things bought at his store.

Yet from the day the new car line was started that merchant's business began to decline. In six months he barely escaped going into the hands of a receiver. He had never paused to consider that the car line passed down another street, a block

away from his store. That street had always been rather unimportant as a retail section, and it had not occurred to him that the mass of people who were brought down from the suburbs and deposited there would take the street seriously.

He supposed that everybody who had been in the habit of walking by his store to and from the street car, morning and evening, would continue to do so. That was where the merchant showed his lack of understanding of the average pedestrian—a creature disposed to practice rigid economy in footsteps.

A man comes downtown each day, alights at a certain corner, and proceeds toward his office. This walk from the car to his office takes him past certain shop windows. He learns from these windows what is kept inside. One window has a display of shirts and another contains coils of garden hose. Now, the pedestrian may not rush in and buy shirts or garden hose just because these things are there on exhibition; but they nevertheless make an impression on him. When he suddenly finds himself in need of shirts or apparatus for squirting water at his vegetable garden, everything else being equal, he thinks at once of that store. It may be a store that does little advertising and that he would never have heard of except for having passed it in going to and from the street car.

Every thousand pairs of footsteps passing a retail store is an asset to that store. When any-

thing occurs to pull away some of these footsteps the proprietor must make extra effort and show added enterprise, or his business will move backward. He must increase his advertising or offer more attractive bargains. And the merchant who sees a new stream of footsteps suddenly shunted in his direction should be quick to take advantage of his opportunities. People begin to pass his place who never did so before. If he presents a dingy front they may continue to pass his place—just that and nothing more. But if he brightens up his windows, wigwags signals of ginger and enterprise, and makes his presence felt, he may entice within his doors open-minded newcomers who are provided with ready money.

Nothing has so much effect on passing footsteps as the item of transportation. Every new surface line, elevated line, or subway means a pedestrian readjustment. People who have been accustomed to catch a car home by walking over to this point now walk over yonder. New pedestrian habits are soon formed and people walk over a given route day after day. It is surprising how unwilling a person is to deviate from his accustomed route unless there is some reason for doing so. Didn't you ever have the experience of strolling along with a friend until you came to a corner where he wished to go one way and you another? You were walking purely for pleasure, let us say, but you each unconsciously preferred to follow a certain route simply because you were used to it.

The thing that completely upsets people's walking habits is transportation. Sometimes I am inclined to think that transportation rather than competition is the real life of retail trade. The subway, for example, revolutionized retail business in New York City. It is only recently that New York has begun to get adjusted to the first subway. It was a long time before business men in certain localities realized what had happened. This process of readjustment to new subways is still going on, and will continue to go on as long as still more subways are built or projected.

The great boom which changed Fourth Avenue from a dead street to one of importance was due almost entirely to the building of the first New York subway which has several stations along that thoroughfare. It doesn't seem long since the Flatiron corner, at the intersection of Fifth Avenue, Broadway and Twenty-third Street, was regarded as the busiest corner in the United States. Then the subway was placed in operation and soon a great many more persons passed daily at Fourth Avenue and Twenty-third Street than at the Flatiron corner.

When two newer subway lines were opened—one under Broadway, and another under Seventh Avenue—another set of readjustments immediately began to take place at various points in New York. For example, the new Broadway subway, with entrances at Thirty-fourth Street immediately pulled foot traffic away from Thirty-third Street

and scattered it along Thirty-fourth Street for a distance of several blocks. Formerly Thirty-third Street had been the busier cross street of the two.

Here was the reason: At Thirty-third Street and Fourth Avenue is a subway station; at Thirty-fourth Street and Broadway is both an elevated station and the entrance to a tube leading to the suburbs. These stations, three blocks apart, had an astonishing amount of pulling power. The average pedestrian on Fifth Avenue, headed for the Thirty-third Street elevated station, turned down Thirty-third Street. Likewise, the man walking up Broadway, who wished to go across to the subway at Thirty-third Street and Fourth Avenue, turned the corner at Thirty-third Street. Then there were all the shoppers and others who were in the habit of getting off the elevated trains at Thirty-third Street and at once proceeded up that street toward Fifth Avenue.

Such were the conditions. But the moment the new Broadway subway entrances went into use at Thirty-fourth Street, a vast number of people ceased to go from Broadway over to Fourth Avenue, and many more ceased to use the elevated station at Thirty-third Street. But a great throng began to come from Fifth Avenue and elsewhere to take the new subway at Thirty-fourth Street. All this necessitated a readjustment to the new conditions by retail merchants who were affected. Stores that people passed on Thirty-fourth Street doubtless felt the benefit of the increased traffic.

It was mainly the subway that killed Twenty-third Street as the heart of the retail section. Years ago Canal Street was the principal retail street in New York. Then retail business moved gradually up to Fourteenth Street, which has a cross-town car line; from there it moved on to Twenty-third Street. The reason for this movement was simply that business has a tendency to go toward the main residential locality—to avoid making the customer travel too far. The stores could not meet customers halfway, but they tried to meet them at least part of the way. Before the subway was built it represented considerable effort for shoppers to move from one part of the city to another. If the leading stores were scattered all over town, shopping would be such a wearying operation that a great many people might be discouraged from buying. Either that, or else they might go to the store having the most convenient location and do all their buying there, rather than go to the trouble of looking into values elsewhere. So it was an advantage for both retailers and shoppers to have as many good stores as possible in one place. And that was the situation. Nearly all the leading department stores were on Twenty-third Street. The proprietors thus cooperated to attract shoppers to that locality.

With the opening of the subway it was much less of an advantage to have all the big stores close together. A woman could come from One Hundred and Twenty-fifth Street to Twenty-third

Street, and go from there to Forty-second Street so easily that the journey itself was the least of her troubles. She no longer objected to visiting two localities instead of one. Moreover, rents were cheaper farther uptown—nearer the residence section whence shoppers came. So, one store after another began to seek locations up round Thirty-fourth Street, and beyond. To-day the heart of the New York shopping district is on Fifth Avenue from Thirty-fourth to Forty-second streets. And it is said to be moving north at the rate of an inch an hour!

Now, the most surprising thing of all is that scarcely any of the landowners down in the Twenty-third Street neighborhood seemed to know what had struck them. They had not anticipated—when the original subway was first projected—what the effect would be. And, after the thing had happened, they were slow to realize that the subway was the cause.

Just to show in figures the change that took place: I happen to know of a loft building, near Twenty-third Street and Broadway, where one floor used to rent for ten thousand dollars a year. After the retail exodus toward Thirty-fourth Street the rent dropped to nine thousand dollars. Based on the relative amount of traffic, the decrease should have been much more than that, but renters were not yet fully aware of the change that had occurred. When everybody came to perceive the actual situation it was impossible to rent the floor

at all. It remained idle for several years. Gradually, however, Twenty-third street began to come back--not as a retail but as a wholesale district. Finally, the floor I mention was rented for five thousand dollars a year—just half what it once brought—and the owner was overjoyed. The chances are that some day the rent will go to six thousand dollars, and probably even more than that, but it is extremely doubtful if it will ever get back to the high point where it once was.

This lowering of rents meant, of course, a corresponding depreciation in property values. The building of the subway cost landowners along Twenty-third Street and elsewhere millions upon millions of dollars. But there were big boosts in values in other sections.

Another effect of the first subway was on small retail establishments in the outlying districts. When shoppers were dependent on the comparatively slow-moving surface and elevated lines for transportation downtown, a woman living out at, say, One Hundred and Twenty-fifth Street, who wished to buy a pair of shoes, might make the purchase at a small store a block or two from her home. Many of these small neighborhood stores did a thriving business, especially in the more staple articles, because people dreaded the ordeal of a journey clear down to Twenty-third Street. But the subway made a trip to the heart of the shopping district so quickly and so easily that women preferred to go where there was a larger stock of goods

from which to make selection. Countless small stores in the outlying sections were put out of business. Stores in Brooklyn and Newark were quickly affected when the under-the-river tubes were opened to those places. Women flocked to New York who formerly had stayed away because of the time and annoyance of getting there. On the other hand, however, many New Yorkers now buy in Brooklyn who never did so before—who, in fact, had never even been there before. Brooklyn store proprietors are enterprising enough to take advantage of their smaller rents and offer bargains that attract New Yorkers across the river. "Brooklyn is no farther from New York now," as a native of that borough once observed to me, "than any other place is."

Any serious interference with the established order of things in street-railway transportation means a shake-up in conditions of pedestrian traffic. Some time ago a number of politicians in Denver had the route of a downtown car line shifted to a street a block away. The consequence was that one street had a boom and another became an invalid. In Cincinnati practically every car line used to make a loop at Fountain Square. This was changed to some extent, and a number of store locations on or near Fountain Square are no longer worth the rental they once were.

When a new transportation development creates a brand-new business section, a store in that

section will ordinarily do more business than it would with exactly the same amount of foot traffic in an older location. That is, the ratio of purchasers to pedestrians is likely to be greater in a section where all the stores are new. The reason is that where the stores are new the goods they contain are new; the proprietors, perhaps, are new and anxious to please. Everything looks spick and span and inviting. Each store is a novelty in iself. As the section grows older and the appearance of freshness wears off there is a tendency toward slow, gradual decadence. The man who is constantly on guard against this, and who keeps his store just as inviting as the day it was opened, has that much advantage over his neighbors who permit themselves to go stale. Traffic will unconsciously tend to slow up and pause in front of the place that shows snap and enterprise.

CHAPTER VIII

HUMAN ANTS

SOMETIMES when I watch a party of ordinary black ants proceeding excitedly about their chores, dashing here and there, and then retracing their steps in rattle-brained fashion, seemingly without any definite plan, I wonder if the average ant is not a somewhat overestimated individual.

Regardless of all the marvelous intelligence attributed to them by the scientists, ants are quite likely to impress a thoughtful, unbiased observer as being stupid beyond all necessity. They are industrious, as everybody concedes, energetic and thrifty, but are they truly efficient? Apparently they have a predisposition toward lost motion, and do a lot of running around to no purpose. They act like creatures willing enough to be on the job, but lacking proper supervision from the main office.

Yet, on the other hand, we may be doing the ants an injustice. Maybe they know exactly what they're about. If we go according to mere outward symptoms—the movements to and fro and up and down on the earth—human beings seem scarcely more systematic or logical than ants.

Balloonists, aviators, and other persons in the habit of roaming about the skies, where they can get a good unprejudiced slant at mankind, tell us that they come to have almost a contempt for mere humans because of our foolish appearance of ant-like aimlessness when considered in the mass.

Nevertheless people do move about according to law and reason. An individual may not know why he is going in a certain direction, but some force directs his footsteps. The force may be the impetus of a crowd which shoves him along, or it may be simply habit—such as the habit, for example, of walking on the right side of the street.

You see a crowd of people moving about a store, and at first glance nothing could be more ant-like, more dependent on human whim and chance, and less according to rule, than their movements.

Yet it is possible to know not only where most of the crowd in a store will go, but, in a general way, what they will buy. Once you know where most of the people are going to walk, you can tell where is the most effective spot to display things that one especially desires to sell. One may even lay off the floor space of a store into small sections and figure out—knowing where the people will walk—the rental value of each section.

In a store twenty feet wide by one hundred feet deep, for example, the space in the first ten feet back from the street, including the show windows, is worth almost one fourth as much as the entire floor area.

And there is a point on the right hand side of the middle aisle, between fifteen and twenty feet back from the front entrance, which is the most advantageous selling place in the store. If you were offering a bargain in candy, for instance, you could not possibly sell as much anywhere else—other things being equal—as you could right at that space.

And what is the reason? Why isn't the space just as good on the left hand side? Or a little nearer the door?

One of the contributing forces which determine space values in a store is the fact that people in America are accustomed to keep to the right. Whether driving along the street, or strolling along the sidewalk, we ordinarily adhere to this rule.

In a store we can walk in any direction we see fit—toward whatever display attracts us. But for a moment we seem to forget that we are no longer required to follow traffic regulations. Having entered the store we continue to keep to the right.

One may glance into almost any busy store at any hour of the day and observe for himself how much larger the crowd is at the right than at the left of the front door. In big establishments where there are ladies' rest rooms on each side of the first floor, the one on the right is nearly always used about twice as much as the one on the left.

After proceeding down the aisle at the right-hand side for a short distance the majority of

shoppers appear to become disgusted with trying to force their way through the crowd ahead, and then it dawns on them that there is no law against walking on the left side of the aisle. At any rate, they begin to cut across to the other side. But having crossed over, once more there is a tendency to keep to the right, and they gradually swerve back again. Possibly this is because they relax after getting by the thick of the crowd and the force of habit prevails.

There is a general scattering as they get farther from the entrance, but more people reach the extreme rear of the store on the right than on the left side of the aisle. And a counter at the rear of the store is a better place to sell goods, by the way, than a counter a few feet nearer the front. For people, having gone to the turning-around place, are likely to pause and glance about them before starting back.

Now, if they continued to bear to the right on the return trip they would swing over to what is the quieter side of the store. But the strange thing is that they return toward the front on what is then the side to their left, the same side that they came in on. The reason is that the incoming traffic tends to force them to the left.

At a certain point—which varies according to the size and arrangement of the floor area—the incoming and the outgoing traffic meet and crisscross. It is the counter nearest to this point that is the best display place in the store.

For, not only are there more shoppers there than any place else, but they are compelled, because of one another, to move slowly and have opportunity to look at whatever is displayed about them.

As already stated, this point in a store having a floor area of, say, twenty by one hundred feet, would be in the neighborhood of eighteen feet from the front door on the right-hand side. A counter directly in front of the door might attract more attention than anywhere else, but it would block the aisle too close to the entrance. On either side of the entrance are, of course, excellent selling locations. In fact, there are *more* square feet of good selling space there than anywhere else. But the one little spot of greatest selling possibilities is farther back.

This problem of where people walk in stores, and why they do it, excited the interest, sometime ago, of a statistical expert. For a period of two or three years he conducted experiments in stores of different kinds in various places. He tried selling small articles in different parts of the stores under all manner of conditions. Usually he used candy—small sugar wafers, of different flavors—in conducting the experiments.

An inexpensive article had to be employed for such tests, for it is obvious that the selling power of one location over another would not be so applicable to the more costly articles which require thought and consideration before buying. A man may have his attention attracted to a toothbrush

or an assortment of candies, and buy, but the mere fact that he suddenly comes upon a clump of farm tractors does not mean that he will order one sent home.

One of the difficulties of the experiments lay in the fact that it was necessary to make proper allowance for varying conditions. For instance, to sell more candy in one part of a store on Monday, than in another part on Tuesday, would not prove anything. Because there are more shoppers on Monday. Moreover, even if the number were the same, people are rather more likely to spend money freely on Monday than on Tuesday.

Then, the weather, rain, cold, or a warm spell, each exerted an influence over people's desire for candy. By making a careful count, however, of the number of persons entering a store, and making such allowance as his experience had taught him was proper for each change in conditions, the investigator finally learned a number of things about people which enabled him to formulate some fairly positive rules.

He found out that a display in the window at the right of the main entrance is much more effective than one in the left-hand window—simply because people enter a store at the right-hand side of the door and are likely to look at the window on the way in.

By repeated tests he found out just how much the sales of an article can be increased by a clever display of the article in the show window. There

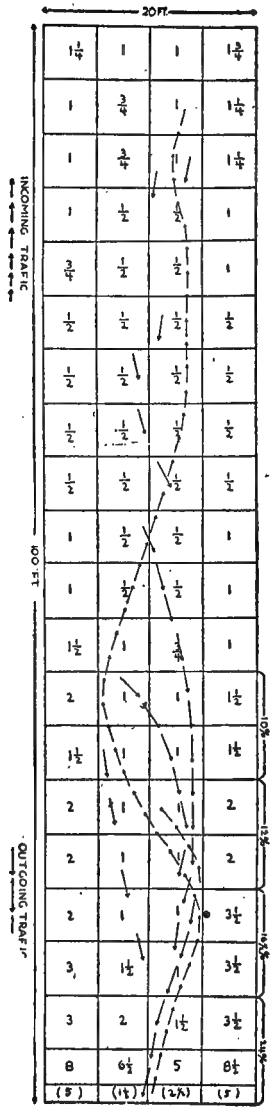
must be a separate rule worked out for each store and each set of conditions, but in a general way one may say that a good window display will boost the sales of a small, inexpensive article about fourteen per cent.

The space devoted to show windows is worth a surprisingly large proportion of the rental value of the entire store. In one store, more than one hundred feet long, the windows, only two feet deep, proved to be worth twelve per cent. of the rent asked for the whole place.

It was found, too, that there is a definite relation between any window admitting light to a section of the store, and the sales in that section. Generally speaking, a window on the side will add about one per cent. to the value of the part of the store it brightens. And this one per cent. will be drawn from the value of the darker parts of the store.

Ordinarily, in a store twenty by one hundred—using that size as a standard of comparison—the five-foot square, including the show-window space, in the right-hand front corner, would be the most valuable five-foot square in the whole area. This small space would be worth 8½ per cent. of the total rental. The next five-foot square toward the rear would be worth only 3½ per cent., and the next two after that about the same.

From that point there is a gradual diminishing of value for spaces along the right-hand side of the store until, a little more than half-way back, a five-



foot square is worth only one half of one per cent. of the store rental.

Then there is an increase again toward the rear, and the two rear corners—where traffic is compelled to slow up—are worth 1¾ per cent. on the right and 1¼ per cent. on the left side.

A study of floor space values leads one into the question of frontage values. Obviously, five feet more across the front, on a busy street, with thousands of people passing, is worth considerably more than an equal area of space added to a store's depth. But how much more can one afford to pay for a place forty feet wide than for one only twenty feet wide?

At first thought, we may say that forty feet is twice as valuable as twenty feet. The truth is, however, that when one rents a store on a thoroughfare full of passing footsteps, he pays for two

different items—space and location. And the location is perhaps the more valuable of the two.

Moreover, one may buy location without buying much space. For example, a cigar store ten feet square on the busiest corner in the world can make a fortune. It has little space but it has unsurpassed location, and the rent paid would be chiefly for the location.

Whether the space was ten feet or one hundred feet would really not make a great deal of difference to a cigar dealer. Once he has the location, any additional space he buys is just simply additional space, to be paid for as space and not as location.

So it is if a man has a shoe store or a candy store on Woodward Avenue, in Detroit, or Fifth Avenue, in New York. Everybody knows that a certain store is at a certain place on Fifth Avenue. If the store suddenly becomes twice as wide, it is still nevertheless in the same location. The space value has doubled, but the location value has not.

Yet even the location value has increased somewhat, for the store is now more noticeable, more conspicuous than when it was smaller. Pedestrians who formerly may have overlooked the place now drop in and make purchases. How are we to know how much a few feet of additional frontage adds to the worth—to the selling capacity of an establishment?

First we must assume that the frontage a store has to start with is adequate for conducting the kind of business it contains. For instance, if a

dealer in furniture, or motor trucks, undertook to get along in a space only large enough for a cigar store, even in an excellent location, he might find it impossible to conduct a profitable business. Additional frontage might mean the difference between failure and success. A store three times as wide, so that he could display his stock, might be worth to him not only three times as much, but perhaps ten times as much.

But if the proprietor of a little restaurant has a place reasonably large, in comparison with other restaurants, and yet, wishing to expand his business, doubles his frontage, how much more should he pay.

In trying to arrive at the solution of this problem the investigator estimated and theorized and observed and still he did not have the question satisfactorily answered.

Then he did a very simple thing: He began to ask scores of business men in various cities, who had enlarged their establishments, what the results had been. Did doubling their frontage mean a doubling of the gross income? If not, how much increase did it mean?

After carefully tabulating the results of these inquiries, it was found that there is a rather definite relation between the increases of store frontage by prosperous establishments, and the gain in their total receipts. He considered these facts and figures in the light of what he had already learned about floor-space values, and finally he came to

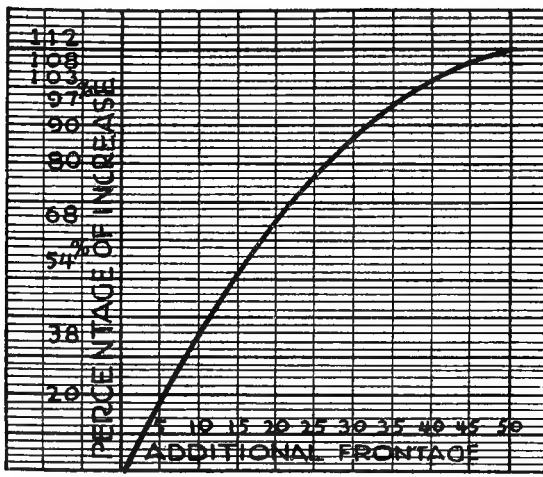
some pretty definite conclusions. He set down a schedule of values for increased frontage, and, then by further investigation and repeated tests he found that his schedule would "prove up" as correct.

When a man has a store with, say, 20 feet of frontage on a busy street and increases this to 40 feet, he is not justified in paying double his original rent. To be exact, the additional 20 feet is worth to him only 68 per cent. more than he has been paying. If his rent has been $100 a month it should now be $168. If he jumped from 20 to 70 feet frontage, or, in other words, if his store is three and one half times as large as formerly, his rent should be increased by only 112 per cent.—from, say, $100 to $212 a month. The accompanying table of figures shows the worth of various frontage additions to a 20-foot store.

It should be understood that the amounts here indicated as a proper rental are from the point of view of the man who pays the rent rather than from that of the man who owns the building. The owner might be able to get more by renting to somebody else. Two small stores might, in many instances, very properly pay more to a landlord than if the same space were all devoted to one store. The point is that the renter should know what a given amount of space is worth to him.

We are living in an era when business men are coming more and more to know what they're about. Every year scientific precision takes the

place of some item of guesswork. Not long ago a man of my acquaintance wished to start a candy store. He did not seize upon a location at random and trust to luck that he would do enough business to pay the rent.



First he observed the traffic in various parts of the shopping district until he found a locality where the women pedestrians were noticeably more numerous than men. He counted the traffic at a certain point which appealed to him, and found that the average number of persons passing each day was 15,557—9307 women and 6250 men.

Now, previous investigation had taught him that the grade of candy he expected to sell would

attract into his store two and nine tenths women out of every hundred passing, and one and five tenths men. Therefore, he might expect each day 269.9 women buyers and 93.75 men, or a total of 353 persons in his store each day.

He picked out a vacant store room 1500 feet from any other candy shop. That distance from competition, he happened to know, would mean an average purchase of about 35 cents. Multiply the number of persons expected to enter the store by 35 cents, and we have $123.55—the average expected daily receipts. On that basis, allowing 300 business days to the year, the annual gross income should be $37,065.

The man knew that 20 per cent. of his gross receipts would be a proper allowance for rent, provided the store was of a certain size. Therefore, he could pay $7413 annual rent for a store of that kind.

But the room he wished to use was of such width and depth that it was worth only 70 per cent. of the store that he used as his standard. The most he should pay, then, for the room he wanted was $5189 a year. He went to the owner of the building and found that he could rent the room for about $3800 a year—or nearly $1400 less than he could have afforded to pay.

In other words, he had a profit on his rent of $1400 a year to start with. He could sell that much less candy than he had reason to believe he would sell, and still make his customary rate of

profit. And he was in the excellent position of knowing vastly more about the value of the storeroom he needed than the man who owned it.

Such are the business advantages of knowing exactly what one is about. Human ants are we, and we are full of whims and caprice. But the retail business man who fails to know just what we ants are likely to do at any stage of the route, and to make capital of his knowledge, is guilty of ant-like leather-headedness, and sooner or later may come out at the little end of the horn.

CHAPTER IX

HUMAN NATURE AND THE WEATHER

WHEN you try to think of a line of business quite unaffected by weather conditions, you must keep on thinking for a long time. The effect of weather on all kinds of business is almost equal to its importance as a fulcrum on which to pry open conversation.

The average man responds to weather in a rather definite manner. Seasonable weather is good for nearly every line of business where something is sold over a counter. Cold weather boosts more lines of trade than hot weather. It is an old saying that cold weather helps everything except the ice and hammock business. Rain may do good, or harm, according to what one has to sell. And it makes a big difference in certain lines whether a rain comes on one day or another—whether in the morning or afternoon. Moreover, the effect on a small town store is not the same as on a city store.

In a large city, the business of a department store is seriously hurt by a rain in the forenoon, but rain in the early afternoon is usually a big help. Most customers of a big city department store are women, and the majority of them live out some

distance from the store—at the edge of the city, or in the suburbs. If it rains along about eight or nine o'clock in the morning the woman who had planned to go shopping that day is quite likely to change her mind, even though she did not intend to go until afternoon. The rain not only suggests discomfort in getting about, but diminishes her desire or immediate need for certain articles, and drives the shopping idea out of her head. On the other hand, if it is bright and clear in the morning, but clouds up about noon for a heavy downpour which lasts most of the afternoon, it is the best thing that could happen for the department store, because shoppers get in, and cannot comfortably get out. They shop all over the store, buy lunch there, and then shop some more.

While the rain is thus helping the department stores, it may hurt the smaller shops, because many customers who otherwise would look around are obliged to do their buying all under one roof.

An advertising man lost several thousand dollars because of rain one summer, and yet there was less rain than usual. The trouble was that most of the rain fell on Sundays. This man took charge of the advertising of a big newspaper on a salary and commission basis. The paper made a specialty of real estate advertising in the Sunday issue, and he figured that his share of this alone would give him a good income. But, by a rare quirk of chance, nearly every Saturday for several weeks there was a forecast of rain the next day—and the real estate

© *American Magazine*

Rain in the forenoon hurts business; but rain in the afternoon has a tendency to help business

people either reduced the size of their advertisements or canceled them entirely. It is not much use to spend a large sum of money to tell people how to reach a beautiful suburban allotment, on a rainy day. One Saturday the Weather Bureau announced showers for Sunday, and nine thousand dollars' worth of advertising was canceled. But the next day saw never a cloud in the sky from early morn till set of sun. The advertising man might have bought himself a fairly good little automobile with extra rim and casing for what the Weather Bureau's error cost him.

Rain is the worst of all weather enemies to business. Much department store advertising is canceled entirely on the strength of a rain forecast. Naturally there is little use in making costly announcement of bargains that shoppers will be prevented from coming to see. A sudden change to warmer or colder weather, however, is usually advantageous. Many big stores have advertisements in the newspaper offices awaiting the coming of a sudden shift in temperature. One year there was a late fall, and the page announcement of a big overcoat sale by a Brooklyn establishment lay in type for three weeks after it was expected to be printed. One afternoon, about an hour and a half before press time, the weather turned suddenly cold, and the overcoat advertisement was ordered slapped into the papers at once.

Women shoppers are extremely superficial in a way; they do not consider what the weather will

be to-morrow nearly so much as what it is to-day. Every smart merchant knows that he can sell winter goods in the spring so long as it is cold and snow is on the ground. The fact that the calendar shows it to be spring rather than winter does not matter at all; the weather is the main thing.

Let us assume that there is a belated spring. To-day is cold and bleak and snow is falling. Yet even if all the women are convinced, let us say, that to-morrow the thermometer will go up to seventy degrees, and that there will not be another cold day for at least six months, they will still buy heavy coats, suits, and furs. Reversing the conditions: If in the fall of the year it is warm and sultry, but the women believe that to-morrow it will be freezing and stay that way all winter, they will not buy winter things until the weather changes.

The deplorable feature of this phase of shopping psychology, as the merchant looks at it, is that the sale deferred too long is deferred forever. If it is a warm fall or a cold spring and stays that way for three or four weeks longer than usual, a great many persons decide that the season will soon be over, anyway, and that they may as well make their old clothes do.

The summer that is cool until late in June is a great money-loser. Women will not buy while it is cold, and when it does get warm they do not buy because they feel that the summer will not last long enough for them to "get the good" out of thin clothes.

While retailers ask nothing more than good rational, seasonable weather, they are frequently helped by weather that is freakish and unseasonable—provided it comes early rather than late. If there is a cold day early in September, people catch the notion of buying fall and winter garments. Having started early to buy, they keep it up all winter. It is simply the old, old story of one sheep jumping a fence and the others gayly following. Besides, one thing suggests another. The woman who acquires a handsome, expensive little coat in September soon thinks of various things that she regards as downright necessities to go with it. Her old hat that she had planned to fix over will not do at all. And nothing could be more absurd than to wear a smart new coat and hat merely to cover a last season's dress. Thus it comes to pass that the friendly cold snap in September gives the merchant not only extra business right at the time but extra business later on.

It is the aim of all retail business to keep trade steady the year round. Naturally, it is not economical to have a rush one day greater than the sales force can handle, and a slump the next day with clerks idle.

Most of this effort to equalize trade is a fight against the weather. At a season when people are not in a buying mood, the merchant inveigles them in with bargain offers. He makes his advertisements fit the weather conditions.

In some lines the natural demand for articles adjusts itself in such a way that there is little

difference in the amount of business winter or summer. For instance, an acquaintance of mine runs a big establishment that sells all manner of musical instruments and utensils. With the coming of balmy spring days music enthusiasts who have been his steady customers for several months begin to seek other diversions. The man who has been exasperating a violin or piano all winter, and buying sheet music or other supplies, promptly loses his musical interest in favor of tennis, golf, or mere aimless personal inspection of the big spacious outdoors. Likewise, the person who had ambitions to make himself a nuisance to his neighborhood by taking vocal lessons, or perhaps, by purchasing a cornet, postpones the step until the following fall. But just about this time various town bands are crawling out of winter quarters. For several months they have done little beyond holding occasional practice meetings; but now they must freshen up and buy supplies for the summer season of concerts on the public square, merchants' carnivals, and rallies of one kind and another. Thus the musical instrument dealer is enabled to maintain his spirit of calm good cheer the year around.

A study of weather and business has its surprises. For instance, restaurant men know that appetites are not the same on a dark, gloomy day as on a day that is bright and cheerful. Natural enough! But the surprising fact is that they eat most on the day that is dark and dismal.

"On a cloudy day," an old restaurant man tells me, "people just sit and eat. There is nothing else to do. On a nice day they eat less and hasten out into the open. But the less they eat the more particular they are about the quality."

A young woman opened a very satisfying little restaurant near the Department of Agriculture, in Washington. Most of her customers are employees of that department. She does a big business every day, but the rush is greatest when the day is the stormiest. On a fine day the men from near-by buildings walk to restaurants farther away, just for the exercise. Those who do not go to other restaurants cut down their eating in order to spend all the time possible in the open air.

No one knows just how much business, even of professional men, is affected by the subtle influence of weather on human temperament. Dentists know that patients are slow to make appointments and quick to break them on cloudy days. A cloudy day is depressing to many persons, and they lack the nerve to face the ordeal of having their teeth cobbled. The same thing that hurts the dentists' trade helps the regular pill doctors. A lot of people whose spirits are dampened by the weather, or whose ills seem aggravated, think that if they go to a doctor and purchase a prescription from him they will feel a great deal better.

Rainy days boost the mail-order business. Because people living in the country—and they

form an important percentage of mail customers—have less work to do when it rains. They are obliged to remain indoors, and they drive away dull care by reading the mail-order catalogue.

Clients in most lines, however, bloom with the sunshine. Architects find that comparatively few persons come in on a gloomy day to discuss building projects. A man owns a building lot, let us say, at the edge of town. On a rainy day he pictures to himself just how the surroundings look at that time and his enthusiasm about the home he is thinking of building, falls below normal. He decides to wait a while.

Go into any hotel lobby or vaudeville house on a rainy afternoon and you will find a good many traveling salesmen who would be busy if the sun were shining. They know that people are not receptive to new propositions when the weather is disagreeable. This is especially true in the selling of bonds, machinery, or other lines which require a good deal of educational effort.

However, the disadvantages of presenting a proposition on a rainy day is offset somewhat by the fact that one may often obtain an audience with a buyer who on a bright day would be so busy that he could not be reached. Many salesmen take the view that it is better to see a man even when he is not in the mood than not to see him at all. Others prefer to wait many months, if need be, to make their first appeal when conditions are just exactly right.

Life insurance agents know that their work is much easier in gloomy weather. People are much more inclined then to appreciate the uncertainty of this life. A big tornado insurance company gets the storm reports from all parts of the country and makes it a point to stir up their agents in any section which has recently suffered storm damage. That brings to mind the case of a windmill agent who by chance elected to work in a locality which had just undergone the calmest season in thirty years. After that he consulted the weather before picking his territory.

A cement contractor in the Middle West became disgusted a while ago at the whims of the weather in his locality. It was freezing cold one day and warm the next. When there was no danger of his work being ruined by a freeze, he had to run the risk of delays on account of rain. It struck him that he would like to live in California, where there is practically no freezing and a long period without rain. But on reflection he decided that he would not care for so much dry weather. He therefore moved about two hundred and fifty miles farther south, to a section which rarely suffered a freeze, though there was a good deal of rain. At about the same time a dealer in building supplies in the same Middle Western town moved to a place a day's journey north, because he believed the colder weather there would mean a demand for heavier and more expensive building material and more of it.

An electric light company in a good-sized city found that while cloudy days caused more current to be used, the gain was offset somewhat by the number of dissatisfied customers when they received their bills. The company then fell into the habit of calling attention occasionally to the unusually large number of dark, cloudy days in a preceding month, and there were no further complaints.

Ice companies sometimes do an interesting bit of figuring based on the thermometer records. They know how many pounds of ice they have delivered each day to a regular list of customers. A certain number of pounds of this ice will melt each day and must be replaced, the number depending upon the temperature. By studying the thermometer at the close of almost any day the company can tell, within a surprisingly few pounds, the amount of ice their customers will require on the day following.

In many lines of business there will be a queer drop or increase for a month because of some unusual weather condition which was not noticeable to the casual observer; a taxicab company did almost forty per cent. more than its ordinary business one month because of rain, and yet there was less rain than usual. It so happened that most of the rain for that month fell along about eight o'clock in the evening, when people in their Sunday clothes were going to the theater or to keep social engagements.

A rainy June is profitable to a big awning con-

cern because of the extra number of awnings that must be erected for June weddings.

Telephone companies increase their force of operators somewhat on a rainy day because of the number of women who remain indoors and seek to drive away dull care by visiting with one another by wire.

As stated in a previous chapter, a windy or a rainy day in New York City alone means a loss of about four thousand dollars to one cigar company which owns a chain of stores, because wind and rain make outdoor smoking unpleasant.

A theatrical manager attributes the failure of a certain excellent piece to the fact that it rained every night of the opening week. People did not like to go out in bad weather to attend a performance not yet an established success, and the fact of small crowds caused a report to get around that the show lacked merit.

Farmers are probably more vitally interested in weather than any other class of people and yet they are surprisingly slow to respond to opportunities provided by the Government to obtain forecasts. Arrangements were made in one locality for a country telephone exchange to give out the official government forecast each day to all farmers who called up and asked for it. Although a great many farmers in that locality had telephones, comparatively few made it their daily practice to ask for the reports.

I heard a lecturer remark that he believes more

women will stay away from a lecture on a windy night than on a rainy night. It is possible for them to keep dry in the rain, but extremely difficult to prevent their hair from becoming mussed up in the wind. With precisely the same temperature and all other weather conditions equal, this lecturer said, more people will come to hear him in October than in May—because in the spring everyone is beginning to resent anything that brings one indoors.

Street-car companies notice that weather affects their gross business much less than in former years; but extreme cold tends to decrease the number of car riders; those—such as women shoppers—who do not have to report for work at a certain hour, postpone their trip. In exceptionally hot weather, the reverse is true, as many ride purely for the relief the rapid motion of the cars gives them.

A traveling man from Dayton, Ohio, once told me that just after the Dayton flood, he was able more than ever before to interest buyers in his line of goods—simply because when the buyer saw the word Dayton on his card he began to talk about the flood, and as the talk progressed the two found themselves on an easy conversational basis which greatly simplified taking up a discussion of the salesman's business proposition. Almost any sudden change or marked whimsicality of the weather has a similar effect, in lesser degrees, because of the talk thus promoted. Anything which encourages conversation between buyer and seller helps business just that much.

CHAPTER X

THE COSTLINESS OF VANITY

In a certain city the leading retail florist has amassed a big fortune by quietly utilizing a funny little phase of everyday human nature. This man charges perhaps thirty per cent. more than any of his competitors; yet much of his stock could be duplicated right up the street for less money. Some of his flowers may be a little better than those sold by others, but rarely thirty per cent. better. They may have a longer ribbon on them or prettier twine round the box, but, on the whole, dollar for dollar, you could get much better value elsewhere.

The main difference is in the selling price. Because he asks more than other dealers for the same article, this man has grown rich. He sells more flowers than any of his competitors and does so more readily. And his success rests to a large degree on the fact that his place is known as the highest-priced establishment of its kind in town.

The young man, who wishes to make a deep and lasting impression upon a beautiful and talented young woman by sending her flowers, likes to buy, if possible, at this most expensive shop. She is flattered to think that he holds her in such high

esteem as to get his flowers at the costliest place in town. And his own vanity is tickled because she now knows—and he knows she knows—that he is able to deal at such a high-priced store.

I do not say, understand, that any merchant can increase his sales by raising his prices; but I do say that, so long as human vanity is what it is at this writing, a great many persons will derive much pleasure from showing their ability to have nothing but the most costly.

One of the most attractive suites in a new apartment house seemed slow to rent. It had more windows than any other suite in the building, but many of these were on the west side, and people were afraid the afternoon sun might make the place too hot. As time went on the suite became more and more difficult to rent, because everybody thought there must be something radically wrong with it or else it would have been grabbed up long before.

The proprietor spoke of reducing the rent for that particular suite. A friend whispered to him that a much more effective plan would be not to lower the rent but to raise it. So the next time he showed that apartment the proprietor said the rent would be five dollars a month more than for any other suite in the building. And he rented it on the spot! The additional cost seemingly not only explained the fact that the place was idle but gave the tenant an opportunity to expect his neighbors to accord special deference to one who

could afford the luxury of a suite costing more than theirs. There is one sex in particular, the members of which are often willing to pay a little extra for the happy privilege of feeling superior to one's neighbors. However, people, while tickling their own vanity, like to feel that they are clever enough to get their money's worth. No one will pay more for a thing just for the sport of spending money; he must get something in return. In the instance mentioned the apartment had more outside light than the others. That gave the renter the chance to square things with his conscience. He was not only spending more than his neighbors, but, he believed, was getting value received.

No one knows how many things are sold for a higher price largely because a higher price is demanded. Almost anybody will agree that if diamonds of the best quality should ever become so plentiful that they would bring only five cents a carat nobody would wear them. And, it is equally probable, if the process of manufacturing imitation diamonds became so expensive that the imitation cost more than the real a great many persons would discard the real for the imitation. They would do so simply to show to the world a proof of their ability to have that which costs the most.

I know a woman—know her well—who went down to the marts a while ago with a lot of odds and ends of jewelry for the purpose of having them all done over and fixed up in platinum settings.

Her explanation was that platinum is a great deal more beautiful than gold—that gold, in fact, is comparatively crass and unlovely. If anybody had suggested that she should wear merely silver jewelry she would have been deeply vexed—almost insulted. Yet silver and platinum look about alike.

Platinum can be alloyed with other metals and made harder than silver, and for some kinds of jewelry this is an advantage. But I have the word of a top-notch retail jeweler that for a great many articles he sells over his counter silver would be precisely as satisfactory as platinum; and the only reason people prefer platinum is because it costs more.

Platinum being more expensive than gold, the wealthy began to use it in preference to gold, because of its greater cost. This, in time, made it fashionable. People who buy it now do so not so much because of personal vanity as because they simply follow custom. But, in the final analysis, vanity is the answer.

Let us consider in this same connection the value of Oriental pearls. Every new crop of fortune makers adds to the demand for fine pearls. When a man has suddenly acquired several million dollars, his wealth is of scant satisfaction to him unless he can let others know that he has it. He desires to have some visible symbol of his financial achievements—just as the Indian warrior wore scalps in his belt, to show that a mighty man he was. But

being of too practical a turn of mind to wish to dress with conspicuous extravagance himself, the new multi-millionaire wears his emblem of wealth by proxy—that is, through the medium of his wife. In this connection she is ordinarily quite willing to give him hearty coöperation. The wife wears a pearl necklace of near-fabulous value, and then the public must recognize that the family has indeed arrived. For they not only have money, but they have so much that they can afford to spend a vast amount of it for something entirely useless.

Even a single pearl of fair size and of the best quality may bring a sum of money that, if invested in Liberty Bonds, would enable a family to live in comparative luxury on the income. I saw a pearl exactly half an inch in diameter, owned by a dealer in New York, for which he had refused $100,000 cash. Understand, he hadn't refused merely $3, or $50, or even the price of an expensive limousine, but *one hundred thousand dollars*—just for that one little pearl. Think of the fun and action one may have with that amount of money and then imagine putting it into a single pearl no larger than a good-sized pea, and with no use beyond proclaiming one's vanity!

Besides this one pearl for which he can get $100,000 just for the asking, the same dealer had six other smaller ones, perfectly matched in size and color. He would have no difficulty at all in disposing of these seven for between $275,000 and $300,000. A necklace with those seven pearls

featured in front, and the others fairly good, would have a commercial value of more than a million dollars!

Worth a million dollars—and yet if you were to immerse the necklace in a little dish of vinegar at night, the next morning your million dollars' worth of property would have dissolved and you would have nothing left but the clasp and the silk thread.

A wealthy widow owned a piece of business property in the New York retail section, worth more than $1,000,000. She sold it, taking in exchange a pearl necklace of similar value. The property had yielded a vast annual income. Not only does this woman receive no income from the necklace, but the cost of the insurance against its loss, by theft or otherwise, is one per cent. of the value or about $10,000 a year. Add to this, $60,000—the interest on one million dollars at six per cent., bringing the total annual upkeep to $70,000. If she wears it, say, twenty times a year, the cost for each wearing is $3500. What else but vanity could prompt a woman to pay $3500 an evening just to be seen wearing an article known to possess great value? Take away this item of vanity and pearls would not bring three dollars a bushel. But, you suggest, they have wondrous beauty. Ah yes, but their beauty is the *excuse* to buy them, rather than the reason. If they were just as beautiful, but so plentiful that they could be had for the asking, it is doubtful if any woman of great wealth would wear them. Consequently

A woman is sometimes willing to pay far more for an article of dress than it is worth, solely because of the satisfaction she derives

they would not be fashionable, and their beauty would be lost sight of. Those who profess to love pearls for their matchless beauty do not admire them quietly at home, or in the safety deposit vaults, but magnanimously wear them to the opera where they may be seen and admired by others. A woman is willing to pay a million dollars for a string of pearls because she gets a million dollars' worth of satisfaction out of letting other women know she can wear so expensive a trinket. It is her vanity that makes the value.

One often hears people complain of an article by saying that, though excellent in its actual qualities, its value is not visible to the naked eye. That makes another problem for those who have things to sell. Showing value is really more important than having value.

I recall a conversation with a woman who confessed to a great love for all precious stones, because—so she declared—of their beauty. She doted on diamonds, but loved rubies and emeralds even more than diamonds. Yet she rarely wore either rubies or emeralds. The reason, so she naïvely told me, was that they were more easily imitated than diamonds and did not *show* their value. So it appeared that her real reason for wearing diamonds was not their beauty so much as the fact that they showed themselves to be worth a large sum of money. They served to let the public know that she was married to a man who could spend the large sum they represented for a needless article.

A miner, when he strikes it rich, usually goes at once and purchases a number of diamonds—not because he wants them but simply to show that he is able to have them. An Alaskan gold miner, once a famous character in that region, sent to Seattle for one of the finest big automobiles available. He had it shipped to him up the river into the interior of Alaska. There were not two miles of road in his locality suitable for a big automobile. Before he had owned the machine a week he drove it into a big snowdrift and there abandoned it. He had already accomplished the object of its purchase—to prove that he had enough money to buy himself an automobile.

Long ago, so the story runs, a piano manufacturer chanced to discover that a great many persons bought pianos not so much for the purpose of producing music as to have a piano in the parlor as proof that they could afford such luxuries. In other words, they had a piano because it was considered the proper thing. Up to the time the manufacturer stumbled on this little human trait, he had been putting most of his effort into the tone of his instruments. But he began to work on a different plan. Though still putting out a fairly good piano as to the inside, he took particular pains with the exterior. He searched for wood having a pretty grain, and used the best varnish and the best workmanship in applying the varnish that he could find. Then he raised the price—even though his manufacturing cost was less than

ever before. His sales showed a big increase.

In almost every town there is a conspicuously big home, belonging to one of the town's richest men. One of the first impulses of a man who finds himself rich is to build a home much larger than his tastes and the size of his family require. First one and then another of the rich men of a community build larger houses than they need, each new one trying to outdo the others a little, in order to have a proper monument to the owner's position as Prominent Citizen. Such homes are often more expensive than beautiful and suggest a public institution, or Machinery Hall at a world's fair, rather than simple domestic comfort.

On the other hand, when a person has been known to be wealthy for a long time, so that there is no longer any need for outward demonstration of the fact, the person usually ceases to wear many diamonds. Once display becomes too common those who can afford display go to the other extreme and leave it off entirely. This is true not only of people but of institutions.

One of the most prosperous department stores in New York has no name on its building. Unless you are familiar with New York you would probably have to ask somebody before you could learn whose store it is. The idea is that, because most stores have elaborate electric signs, this old institution wishes to impress the public with the fact that it does not need such devices. It does, not have to wear diamonds. Any store can have

a big sign, but only a few can be so well established as to get along without any name—not even on the doormat.

Practically everything that is fashionable in dress is so because of its expensiveness. The main requisite of a new style is that it be costly in material, workmanship, or design. It must be enough unlike the style of the preceding season to entail a certain amount of wastefulness—that is, items of dress still on hand, and not worn out, must be made comparatively worthless. The reason for all this is, of course, that those who seek to set the fashions usually wish, incidentally, to reveal their financial status—their ability to buy whatever they want.

A few years ago there came into fashion a certain kind of fur. This fur comes from a very small animal and it takes hundreds of skins to make a good-sized cloak. These must be sewed together carefully, which means a considerable labor cost, and with so many seams all over the coat, the garment cannot be durable. It tears easily. Moreover, the fur is short and readily wears away. The woman who buys such a coat does so knowing that she cannot wear it longer than one or two seasons. Yet she pays a price that ought to provide her with all the fur she needs for the rest of her life. Looking at it from the viewpoint of efficiency and common sense, such a coat is an unwise purchase, but it has this advantage: everybody who sees a woman in such a garment must know that she has

a certain amount of financial standing, or that she possesses sufficient personal attractions to have caught a mate who has financial prowess. Therefore, the assumption is, she must be entitled to a certain degree of deference.

As I have already remarked, a husband frequently encourages his wife to dress expensively, because to have her do so appeals to his own vanity. He likes to sit down and think to himself that he is able to maintain a wife who wears the best. Saleswomen behind the lingerie counters know that men, rather than women customers, are the ones most likely to pay the topmost prices for such finery.

At one time women's skirts were built to drag in the dust. The practice was based on the notion that the wear and tear on a skirt as it dragged over the sidewalk showed an opulent disregard for expense, and that such disregard was extremely smart and clever. But the style was so insanitary that even its expensiveness probably could not make it fashionable again.

Short skirts always prove a boon to manufacturers of shoes and stockings. Every time fashion has taken an inch from the length of skirts, shoes and stockings have become just that much more conspicuous, as you might say, and women have felt the need of having these articles correspondingly more expensive. A shoe manufacturer was once quoted as saying that two inches added to skirts would cost the shoe manufacturers of the United States fully two million dollars a year.

And here is an odd thing about shoe prices. We must pay more for shoes, we are told, because of the high cost of leather. But a pair of woman's shoes made of satin cost nearly as much as if they were made of leather. The answer is that if the satin shoes were priced much cheaper, no really fashionable woman would buy them. She would fear that some friend or servant might think she selected them solely because of their smaller cost.

A woman of my acquaintance remarked one day that on the following Monday morning she was going to buy herself a fine new shirt waist at a cost of thirty-five dollars. She went on to say that she had no particular waist in mind, but that she had decided on an expenditure of thirty-five dollars in order to acquire the kind of waist she thought she ought to have.

One of her woman friends mentioned the fact that a big store was having a sale of waists, and that it was possible to buy a thirty-five-dollar waist for as little as twenty-two dollars and eighty-five cents. But the first woman was still determined to spend her entire thirty-five dollars for a waist; in fact, she seemed rather disappointed that they had been marked down.

The point is that she had come to a state of mind where she believed a thirty-five-dollar waist would be a symbol of her financial and social status. She felt that she could afford thirty-five dollars for a waist, and thirty-five dollars was what

she intended to spend. The fact that she could get a waist which would be plenty good enough—neat, stylish, and attractive—for only fifteen dollars did not matter. Too many other persons could buy one at that price. She desired something more or less exclusive.

That word exclusive, by the way, is one which business men who know human nature use a great deal. One can scarcely look into a shop window without seeing something that, according to the label, is intended for a person of exclusive tastes—for the man who feels at home only with the very best. Nearly everybody who reads the label knows that he himself is a person of discriminating and exclusive tastes, and he is prompted to go in and buy the article. If he is a man of considerable wealth, perhaps he will not buy it unless the price is high enough to place it beyond the reach of the average purchaser.

The manager of the musical department of a big store showed me one day a lot of instruments priced to sell all the way from five to twenty-seven dollars. The twenty-seven-dollar instrument cost the store only about three dollars more than the one they offered for five. It could have been sold at a reasonable profit for seven dollars; but the manager knew the department had certain customers who would not take seriously any instrument costing so little.

People who can afford to travel usually think that even the sunsets in distant parts of the world

are more beautiful than those to be found in any of the favored spots of their own country. They figure that they must be better because they cost more to see.

Most people have a detestation for the thing called commonness. People often declare that a certain kind of cloak or a certain kind of automobile is all right, only it is too common—that is, too many other people are capable of owning the same thing. When too many people can buy a thing there is little distinction to be gained from having it.

People are willing to pay more for a set of books, if they are of a special, numbered, limited edition. The merit of a book is not really injured by the fact that a limitless number of other persons own one like it, but there is nothing exclusive or distinctive about having such a book.

Here, let us say, is a hat costing fifty dollars in a so-called exclusive millinery establishment. It is made of high-grade material, is artistically put together, and is really a beautiful piece of work. Along comes a society woman, who tries it on and declares that it is a dream. She buys it. Then she discovers that cheap imitations of the same hat are being worn by humble shopgirls. Instantly the hat ceases to be a dream and becomes a nightmare. Yet in itself the hat is just as beautiful as before. Its charm is gone because it has lost its distinctiveness—its unattainableness.

This craving for distinctiveness is an odd phase

of human nature. In order to make himself seem unusual a man will boast of things of which he really should be heartily ashamed. I have heard men brag of the fact that they cannot eat onions, or cucumbers, or rare beefsteak, without ill effects; or that they are afraid of cats.

If they cannot eat things or do things that other people can, it is a defect, a weakness on their part; but they like to talk about it, because it singles them out from the crowd. They think the onion or cucumber exclaims:

"Aha! Here is no ordinary person. He is different. He can't handle us!"

Big stores and little stores are constantly obliged to figure on this human tendency on the part of the very rich to excite the envy and emulation of those not so rich, and of persons in the humbler social ranks to imitate those of higher status. There is an effort all the while, on the one hand, to produce expensive goods of a kind that cannot be imitated in cheaper quality; and an effort, on the other hand, to do that very thing—to provide for the shop-girl an imitation which will enable her to give the impression that she can dress as well as the wealthiest society leader.

One may observe, too, that most stores, whether dealing in jewelry or groceries, do not aim to make an appeal to all classes of buyers. They seek the rich, the near-rich or medium class, and the so-called common people. Somewhere there will be a line of demarcation. It is rarely that one

store seeks both the very rich and the humble. And there is a reason for this. It is not because the various departments could not be so arranged as to suit everybody, but that the very rich object to dealing at a store where they come too much into contact with people not of their own sort.

The jewelry store, for example, which bids for the trade of the very rich, prices its goods high enough to bar the humbler buyers of jewelry. Then the wealthy seek the place all the more readily because an article from that store carries with it the idea of expensiveness and exclusiveness and high quality.

I have in mind a big store that sells chiefly to people of the humbler classes, but always has at least one window filled with ultra-expensive articles. They will have a gown labeled, say, two hundred and seventy-five dollars, and worth perhaps every cent of it.

Now, if a woman was going to pay that much for a dress this store would be the last place in town she would think of looking for it.

Yet it pays them to carry a limited amount of high-priced goods in stock to exhibit in their windows; for it pleases the humbler customers to know that they buy their clothes at a place which handles two-hundred-and-seventy-five-dollar gowns.

A hotel man once said to me: "We charge high prices, not only in order to be able to buy the best quality of food obtainable but so that we may

obtain the trade of the wealthy business men, who like to show that they have the money to eat in a place where things are so costly."

I stopped one day at a little country inn where the charge for a chicken dinner is three dollars. One can get just as good a dinner at other places for a dollar and a half but the high charge seems to give people a desire to eat there. The man of wealth who wants to do something clever would rather take a party of friends to a three-dollar meal than to a one-dollar meal, even if the food were the same. It is something to have eaten a three-dollar meal when equally good ones can be had for less money.

A friend of mine has an automobile with a top over the back seat, but not over the front seat. When it rains the front seat gets wet. However, he has another car to use on rainy days. I am certain the reason he bought an expensive car with no top except for the back seat was to show that he can afford a car for rain and another for fair weather. He feels that it helps his position in the community.

And one sometimes sees automobiles with two men in livery on the front seat. Certainly there can be no reason for a footman on an automobile except that this affords the opportunity to exhibit one's ability to pay for such unnecessary luxuries. In the days of horses and carriages there may have been some semblance of need for an extra man to help around while the driver was holding

the horses; but it is fairly obvious that a chauffeur, after stopping his car, can get out and open a door or arrange a robe without losing his union card and without undue strain on his faculties.

A few years ago collars of dark material to match one's shirt were in vogue. These collars saved laundry bills. They should have been especially desirable, one would think, in Pittsburgh. A haberdasher from that town told me he couldn't sell them at all. His customers were all afraid he might think and that their friends might think they bought colored collars as a matter of economy.

Most of us, if we were obliged to live in Pittsburgh, and were sensible, would not undertake to wear white kid shoes. Yet white kid shoes are sold there about as readily as anywhere else. In fact, there is at least one man there who buys white shoes lest somebody should think the reason he did not buy them was because of the upkeep—lest somebody should suspect that he is not making any more money than he is making.

The other day I was talking to a hotel proprietor I had known when he was head waiter in another hotel. After complimenting him on his thrift and enterprise in getting a place of his own, I asked him how he got the money.

"It's vanity money," he replied.

And then he went on to tell me some things about tips, from the head waiter's viewpoint. There are two main reasons why a man tips a waiter: First, because he fears the waiter may

think ill of him if he doesn't; and second, because he wants to impress those about him. It is all a matter of vanity. When a man tips a head waiter persistently enough the head waiter scurries after a suitable table when this man enters the dining room. Other diners notice this and the man knows they notice it. He is flattered.

Then, he likes to lay out substantial tips for the waiter and head waiter if he has friends at his table—especially women friends—so that one and all may appreciate that he is no so-called piker. That is why it is practically impossible to stop tipping—because there are always persons anxious to pay for the proud privilege of being noticed. So it goes. Vanity, vanity, everywhere!

CHAPTER XI

HABITS OF THE SHOPPER

DEPARTMENT STORE managers once viewed with grave concern certain revolutionary tendencies of the times with regard to underwear. People were wearing the same weight of underwear the year round. They bought light-weight stuff for summer and made it do all winter. The idea was that extra warmth needed for outdoors in winter had better be in the form of garments easily removed on coming into a steam-heated building. Somebody had cleverly discovered that it is much less of a nuisance simply to take off a heavy overcoat on entering an overheated home than to change one's underclothes.

And so it came to pass that comparatively few persons flocked to department stores for special seasonable outfits of underwear in spring and fall. In a short time the department-store men found that the change in underwear sentiment, instead of proving a curse to retail business, was indeed a great boon. It not only spread underwear sales over the entire year but it greatly increased the total sales. For the light underwear now worn lacks the prosaic durability of the red flannels of other days.

Moreover, in the case of women's goods, the garments are more attractive and there is more incentive for the customer to spend her money for them. There is only a scant amount of romance about a set of plain, unfrilled, old-fashioned woolen underwear; but the woman who sits before her dressing table preening herself, while all fussed up in the various articles of lace and frills that she puts on to-day, is quite likely to look so cute and chic that she is not a little pleased with herself. So long as the effect is gratifying to the eye she is willing to spend twice the sum she formerly devoted to garments that merely kept her snug and warm.

By means of advertising and by offers of good values, big stores are able to change a dull month in any line to the biggest month of the year. For instance, August is naturally the worst month out of the twelve in which to sell furs. Comparatively few persons feel the need of a muff or a sealskin cloak on the average August day; yet I know of at least one mammoth department store where more furs are sold in August than in midwinter. It is done by means of a Great August Advance Sale of New Furs, priced so attractively that buyers are coaxed to overcome their natural aversion to buying anything not yet needed.

The same is true of furniture. Nobody really wants much new furniture in summer; but many stores sell more furniture in August than in May or October. The Great Midsummer Furniture

Sale does it. By giving enough reduction in values to make it an object, the stores coax men and women to buy several weeks or months in advance of the natural impulse to do so.

It is the ultimate goal of stores so to modify human nature that trade will be of approximately the same volume the year round. In most places the Christmas-shopping period is now forced under way as early as the middle of November.

A department-store manager can bring about more or less of a rush in almost any department any day. He can have attention called to his soda water in a way that will cause almost a riot at the soda counter the next day, even though the soda is just the same as has been sold there right along. It is simply a matter of obtaining the most results from an advertising appropriation. There is just so much money to spend in the course of a year, and if the manager lays too much stress on soda water he has less money to buy space in which to tell of bargains in women's cloaks or hosiery.

While women's cloaks are likely to comprise the most profitable line of goods offered in a big department store—for the amount of floor space occupied—in certain establishments the leader may be millinery or something else. I know of one big store where it is shoes. This does not mean that the shoes there are any better or any cheaper than at rival stores, but is simply due to the fact that the merchandise chief used to be at the head of a shoe department and has a habit of pushing the shoe trade.

Many big stores charge various departments with their proportionate share of advertising space used in the course of a year, just as they charge them with their floor space. The same plan is applied to space in the show windows.

Styles in advertisements have changed a great deal in the last few years. Exaggerated statements and superlatives are no longer popular. A merchant does not set forth that a line of overcoats at twenty-one dollars is the greatest cut-rate offer ever placed before the public of any nation since the dawn of the Christian Era. He is more likely to state simply that he has overcoats at twenty-one dollars which he thinks are well worth the money, and of a style that cannot be duplicated elsewhere.

Understatement has proved to be better than overstatement. This has been discovered in other lines entirely apart from selling goods. A former United States Senator, famous for his oratory, made great use in his speeches of the trick of understatement. If he wished to accuse a man of being a thief—a man everybody knew had stolen at least a million dollars—he would aver that he had every reason to believe that the man had appropriated not less than two dollars and a half.

Years ago there was a hotel proprietor out in Carson City, Nevada, who hit upon the efficacy of understatement rather than boastful exaggeration in his advertisements. His hotel did a thriving business, much of which was directly traceable to

his scheme of making his claims modest and plausible. One of his advertisements appeared in the *Appeal* of Carson City along about 1889, and was substantially as follows:

ARLINGTON HOTEL

Worst Hotel in the United States!

Homely chambermaids, coarse inen, dingy halls, bad ventilation. The cooking disappoints everybody. Jockeys come here to reduce weight. I carry only average wines and liquors.

But my cigars are fairly good, and I can sell you one accompanied by the pleasantest kind of a smile.

OLIVER ROBERTS, Proprietor.

The method of presenting an advertisement varies greatly according to the kind of store. If it is a store that caters to the so-called highbrow trade, the advertisement may be in the form of little editorial-like discussions of values and seasonable offerings. But for a store that seeks the trade of the masses there is nothing so compelling, nothing so full of appeal and logic, as the simple statement: "Was $18; now $11.95!"

Every department-store manager must deal constantly with human nature in a big way, both as to individual and aggregate traits. For example, there is the bargain-sale feature. It is not mere chance that frequently places these on Monday. The merchandise man knows that more housewives have remained away from the shopping

district on Sunday—naturally—than any other day in the week. Therefore they are more in the mood to go shopping on a Monday than on other days.

However, there must be some inducement, because only two days previous was Saturday—pay day—and a great many women have satisfied their shopping desires with their share of the money in the little yellow envelopes. They are willing enough to visit a store on Monday provided there is an excellent bargain reason for drawing from a pocketbook already flattened somewhat on Saturday.

The store manager goes further in making capital of human nature on bargain day. Not always does he place his counter of advertised bargains near the front entrance. More frequently it is at the rear, and the route to it takes one along aisles bordered with various other lines of tempting merchandise. In one store, soap is offered occasionally for even less than cost. But eager customers, standing in line on the way to the soap counter, find themselves face to face with tempting displays of potted ham, olives, and other delicacies, samples of which they are invited to eat before proceeding further. Now, these articles are especially palatable when eaten by a weary shopper in the midst of a bargain day rush. They taste so good, in fact, that a certain percentage of the people in line—a percentage which the store managers know in advance—buy some to take

home. And having got started, in this way, on new lines of groceries, many customers repeat their orders. Thus does the store make a substantial profit, indirectly, from the soap that it sold for less than cost. Moreover, those who buy only the bargain soap go away subconsciously associating that store with the idea of big value for one's money.

The number of persons attracted to a store by an advertisement depends in a large measure on the size of the advertisement and the way it is presented. Advertising managers sometimes boast of their ability to make the public respond to their art with scientific precision.

"How much business do you want to do in your department to-morrow?" I once heard an advertising manager ask a department manager. "About four thousand dollars? All right; I'll frame an ad. accordingly."

That, doubtless, was mostly big talk; and yet it stands to reason that after long experience a man can learn approximately how large an advertisement will be necessary to draw enough customers to a department to make four thousand dollars' worth of sales. It is obvious, too, that this would be true only within certain limits. A certain size advertisement might sell ten thousand dollars' worth of furniture, and one twice as large might not sell another dollar's worth. Yet the space occupied by an announcement of bargains in merchandise counts for a good deal. More persons

will heed a notice occupying an entire page in a newspaper than one which takes up only an inch or two in one column; and this would be true even though the smaller advertisement were seen by just as many persons as read the larger one.

The advantage of enticing a large number of persons to a store by special bargains is not only that a greater amount of business will be done, but the managers can forecast more accurately than with a smaller crowd what effect the extra rush of customers will have on various departments. For the greater the mass, the more definite is the operation of the law of averages, and the easier it is to tell in advance what ratio of the people will buy a certain thing or do a certain thing.

In almost every store Saturday is the busiest day of the week, and the quietest days are usually Tuesday and Wednesday. The reason for the big business on Saturday is doubtless due to the fact that Saturday is pay day; the buyer has the money to make a purchase and wishes to satisfy, without further delay, a week-old desire for a given article. Tuesday and Wednesday are comparatively dull because they follow Saturday, the big buying day and Monday, bargain day.

Friday, also is a good business day. Many stores have their main bargain offers on Friday. Another reason why Saturday is busy is, of course, that people stock up with things they will wish to use over Sunday. In summer, department stores usually display sporting goods in their windows

on Saturday, because men are facing not only a Sunday free from business cares but perhaps a Saturday afternoon half holiday. The manager of the musical department of a big store was telling me that most violin and guitar strings are sold on Saturday. On the other hand, he said, for some reason music teachers buy most of their sheet music on Monday.

This same department manager noticed a number of other odd human traits. Whenever a grown man buys a mouth'organ, jew's-harp, kazoo, or tin fife, he almost invariably makes it a point to remark that is for his little boy, or somebody else. Men feel apologetic over their ambition to play on certain types of musical instruments.

Another thing: a father who says never a word about paying two hundred and fifty dollars for a piano for his daughter will dicker a long time when buying a violin for his son before paying a dollar or two more for a better instrument—this regardless of whether the boy shows twice the promise, musically, that the girl does. The reason seems to be that father feels he must buy a piano for the parlor anyhow, to be conventional; but the violin is an added expense that he hadn't been counting on, and that will not add noticeably to the dignity of his home surroundings.

More goods are sold in big stores in most of the larger cities at about four-thirty in the afternoon than at any other time. A good many women shop in the forenoon, but a much greater number

look after household duties in the morning and do their shopping in the afternoon. Along about three-fifteen there are more women shoppers on the street, or looking about the various departments of the stores, than at any other hour; but they are doing more looking than buying. They wait until just prior to going home before finally making up their minds; and that is why the crest of the buying wave is reached at from four-twenty to four-thirty. After that they have barely time to get home and prepare dinner before six o'clock.

There is another buying wave, but a smaller one, at five o'clock, due to the crowd of women who come out of theater matinées. In the departments selling such articles as pastries and candies, the biggest rush of the day sets in around five-thirty. And the buyers are more largely men than was true earlier in the day. They have received orders from home to bring along some cakes for dinner, or have been moved by some worthy saccharine impulse to stake the family to a box of candy.

A man almost invariably buys such things just before starting home, partly because he doesn't like to lug his purchases about with him any longer than necessary, and also because it is a man's tendency, more than a woman's, to postpone a purchase until the last minute. Women are twitted a great deal in the comic magazines and joke columns about being late; but every man knows that it averages the other way and that man is the procrastinator. Go into any big store just before

closing time and note the sex of the shoppers who are rushing madly about after articles they really intended to buy much earlier in the day.

Across the street from one of the largest department stores in New York is a successful dry-goods establishment that few New York shoppers know by name. The place is advertised only modestly, is unobtrusive in appearance, and if you went by the store you would wonder—if you noticed it at all—how the concern manages to keep going, especially in the face of the competition of the vast establishment on the other side of the street.

The answer is that, except for the big store, the little store could not exist in that location. It would either have to move or suspend operations. Without the big store it would be like a side show with no circus to attract the crowd. As it is, the smaller plant probably makes a bigger profit for the amount invested than its overtowering competitor.

Do not get the impression, either, that the smaller store gets merely the overflow from the big one. It specializes somewhat in certain lines in which it is able to give good values, and shoppers like to inspect its stock. Frequently they spend more money there than in the larger place across the way. But the point is that if the big store were not there, with its greater variety of attractions, people would not head toward the smaller establishment for itself alone. The locality is away from the main shopping center and would be

almost dead for retail purposes if it were not for the big department store on the corner.

Suppose, on the other hand, that both stores were big institutions—one about as big as the other. Would not the competition be so severe that each store would earnestly wish for the other to move? It would not. On the contrary, so long as the two stores are in operation in the same city, it is better for each that they should be close together—the closer the better. One helps the other. Each establishment has customers who would rather buy there than elsewhere; but if there is a chance of getting better values at another place next door they will look over the goods there before buying. In that way each store helps its neighbor to draw a crowd, and out of the number who drift in from next door many will be moved to make purchases they had no idea of making when they left home. Buying is stimulated. The management of almost any first-class big store has implicit confidence in its ability to beat, or at least to equal, its competitor in giving good value, and is willing to have customers make comparison. Where it loses in one department by having a rival close by, it gains in another.

I have in mind two big department stores in a great Middle Western city, which stand almost side by side. One may be known as March's, the other as Boley's. Said the manager of March's store a while ago:

"If Boley's should ever have to move because

the building owner raises the rent, I should almost be disposed to pay the difference in their rental out of our own funds, if necessary, to keep them close by."

And I have no doubt the manager of Boley's feels the same way.

If you have ever had occasion to buy a piano the chances are that you found most of the piano stores in the same part of town and fairly close together. When a man starts to buy a piano he wants to examine every line in town if he can do so conveniently. But he may not bother with the dealer who is too far from the others.

Much the same condition is true of automobiles, typewriters, jewelry, and other articles. Maiden Lane in New York is a hive of wholesale and retail jewelry establishments.

On the other hand, in selling small articles like cigars or candy, too much near-by competition is obviously an objection. People passing a given location buy just so many cigars, and if they divide their purchases between two stores neither store does so well.

I was speaking, a few lines back, of March's and Boley's department stores. March's offers a much more attractive line of merchandise, and people in that city often wonder how Boley's can withstand such competition. Yet Boley's is a big moneymaker. The answer is that Boley's caters almost entirely to the laboring classes—people who pay as they go and do not indulge themselves

in such luxuries as charge accounts. Boley's store carries a line of goods to fit the buying capacity of these cash customers. Most of them are so accustomed to proceeding by their own effort that they usually do not even think of asking to have goods delivered. They pay on the spot and carry their own purchases home. And the habit is one that Boley makes no effort to educate people out of; the saving in cost of delivering goods—even apart from the fact that a big proportion of the business is on a cash basis—is an important item.

One winter when business was dull and many men were out of employment, the proprietor of a certain big store began making displays of skates and laying unusual stress on his skate bargains. One of his assistants laughed at him and said:

"When men are wondering how to get enough to eat they aren't going to spend their money for skates."

The proprietor knew, however, from previous experience with human nature, that a winter of industrial depression helps skate sales. Men who are out of work and have leisure hours forced on them figure that they are better off skating than sitting about an insufficiently heated home feeling sorry for themselves. If they are not earning anything they are at least improving their health and increasing their capacity for work when it does come.

Merchandise chiefs of chain five-and-ten-cent stores have great opportunity and necessity for

knowing the quirks and traits of human nature as it crops out in various sections of the country. They know that what will sell in one State may go untouched in another.

For instance, it is practically impossible to sell a stock of mops in certain parts of Pennsylvania, and equally difficult to dispose of scrub brushes in New York. But if the two stocks were switched, and the prices are reasonable, both the mops and the scrub brushes would soon be sold. The reason is that women in certain parts of Pennsylvania have believed for several generations that a floor is not really clean unless it has been scrubbed by someone down on the knees with a brush. In New York, on the other hand, housewives have been brought up to think that such work is too arduous and needless.

The heads of a chain of these five-and-ten-cent stores must keep close watch on styles—not all styles, but those that affect articles they have to sell. If a popular actress changes her hairdress, the five-and-ten-cent stores must anticipate the result by having whatever is needed in the way of hairpins and back combs.

One season, a wave of simplified hairdressing started in New York and swept across the continent into the homes of rich and poor alike As the style made its way westward, the chain-store company could see its hairpin sales falling off in one State after another. They had known in advance that that very thing would happen, and

had cut down their hairpin orders even before the ultimate consumers did.

Stores that sell high-grade goods at fancy prices are constantly on the *qui vive* lest a cheap imitation of some expensive novelty should be offered in the five-and-ten-cent establishments.

A few years ago a woman dancer bobbed her hair. For some reason, hosts of young women had ambitions to look like this dancer. The more foolish ones cut their front hair. Others were saved this sacrifice by a hair-goods concern, which got up a false bob. A big New York store arranged to push the sale of this hair-bob, which was to retail at five dollars. Before the goods arrived the five-and-ten-cent stores got the same thing, only with a much cheaper grade of hair, which they offered for twenty-five cents.

CHAPTER XII

INGENUITY IN SALESMANSHIP

ANY observant person must have noticed that a big improvement has crept into the selling end of most retail businesses in the last few years. Men who sell goods from behind the counter are vastly more clever salesmen than one used to find. There are many men working behind counters who, though obscure-looking, are so efficient in their quiet way that they can earn four thousand or five thousand dollars a year. They do it by selling rapidly.

A poor salesmen, working on salary and commission behind a hat counter, for instance, used to take so long to sell the average man a hat that his total commissions at the end of the year were small. But to-day, if you go into a high-grade store to buy a hat, or a suit of clothes, the chances are that the first hat or suit the salesman shows you is the one you finally buy. There will not be any need to look much farther. The salesman, if he is a good one, sizes you up and knows just about what you want. If you have on a black felt hat he may assume that you want a change and will show you a hat of lighter color. If you have a full, round face

he does not show you a hat with the kind of brim that would overemphasize the full-moon effect. And he is careful not to insult you by showing you a hat much cheaper than the one you have been wearing.

"Let's see," says he, reaching out for the hat you have on; "what size do you wear?"

While you're telling him that you wear a seven-and-an-eighth, he is turning back the sweatband as if looking for the size; but in reality he is looking for a price mark and taking an inventory of the general quality of the hat.

If he showed you too cheap a hat you would not only feel somewhat insulted but would question his ability to find anything in his stock to satisfy you. It would be apparent that he was simply showing you hats at random. Offering you too expensive a hat would also be a mistake, as it would make you feel uncomfortable—as if you had got into a store out of your class. You would decide that they took no interest in the wants of the humbler customers. The smart salesman gives out the impression that the kind of hat you want is the very kind they make a specialty of—the kind they find most pleasure in selling.

Time and again I have gone into a store and bought the first hat the man showed me. I had learned by experience that if I took time to look at others I should probably prefer the first one anyhow.

It used to be that buying a suit of clothes was an afternoon's job. First, it took a long time to

find a suit that would fit. Then, you discovered, the suit which satisfied you in that respect was too high-priced, or too loud in pattern. To get all the desirable qualities in one suit required a lot of looking and a lot of wearisome trying on. And, from the store viewpoint, it was costly—because it required more salespeople. To-day a good clothing salesman is supposed to have enough intuition to know at a glance just what the customer's wants are, and to know his stock so well that he can go at once and lay his hand on the very suit the customer will buy.

It is the same way with shoes. Instead of hauling out nineteen varieties of shoes and getting you all confused, the clerk guesses about what shape you want. Or perhaps you have told him what number in the window display most appealed to you. And, instead of asking you for your size, the clerk measures your foot.

In the case of a woman customer this is particularly wise, for a woman will often try to make herself think she wants a smaller shoe than she ought to have. Then her feet are uncomfortable and she nurses a feeling of malice toward the shoe store. The clerk knows that the size one's feet can be comfortable in will vary somewhat according to the width. So he goes quietly and picks out what the woman ought to have, while she is quite content in the assumption that he is picking out a much smaller size than he really is, and that her feet are dainty to a wonderful degree.

It frequently happens that one can buy the same shoe at a lower price in one store than in another; but nearly always there will be a difference in the service, to offset somewhat the saving in the shoes. In other words, the tendency is that service and value in different stores will average up about alike. You go into a high-priced store and usually a clerk comes at once to wait on you, and stays faithfully with you until the ordeal is over and you have made up your mind which pair of shoes you will make your own. But you enter a store down the street, where you can buy the same shoes for, say, a dollar less, and the chances are that one clerk will be waiting on about six people, hopping from one to another like a Swiss bell ringer. He takes off one of the new customer's shoes at once—so that if the customer gets tired of waiting he won't leave. Then, as soon as he can get round to it, he hands the customer a shoe, to keep him interested—a good deal like giving a restless child a toy with which to amuse himself.

This type of salesman is often a real artist in his line, and it is surprising how rapidly he can dispose of a whole benchful of buyers. He does it by giving each customer the shoes he wants with the least possible delay. If he had to yank down half the shoes on the shelf for each person, in the old-fashioned way, there would be chaos.

A smart salesman behind the underwear counter is quite likely not to ask a man what size he wears, but to pull a tape from his pocket and breezily

take the measure of the customer's chest and waist. Then, keeping his own counsel, he fetches garments he thinks will meet the customer's requirements.

In the first place, not one customer in ten remembers his underwear size between purchases. If he thinks he wears a thirty-eight undershirt, when he really needs one of size forty, he will either be dissatisfied with the shirt—and the store—as long as he wears the garment, or he will try it on at home and then bring it back to exchange for something else—all of which means a certain amount of effort and annoyance and expense on the part of the seller.

On the other hand, if the customer does remember his size, and the salesman finds that it isn't in stock and offers him something else, the customer is certain something else won't do. Yet, another size might fit equally well. For instance, a man who has been wearing a closely woven undershirt, size forty, can easily make out with a ribbed shirt of size thirty-eight. Or he may be right in between thirty-eight and forty, and one will do about as well as the other. So the smart clerk knows that it is best to ask no questions and go right ahead in his own way.

However, there are still a great many salesmen who entertain ideas and tastes I should hesitate to adopt for my own use. It has always seemed to me that the world's worst salesmen are sought out and placed behind the shirt counters throughout this broad land.

For instance, it happens that I like to wear negligee shirts of a rather subdued, unobtrusive pattern, so that I may move among people of high or low degree without their being harassed by my shirt's acoustic properties. Yet, whenever I go into a haberdashery to buy shirts I am waited on by a young man who seems to have consecrated his soul to selling me something I do not want. He shows me a lot of shirts with color schemes that seem to have been designed to combine the attractiveness of a horse blanket and a bright new drug-store awning.

Haberdashers always seem not a little vexed when I fail to enthuse over shirts suitable only for minstrel parade and cakewalk wear. With a shirt on like that I should be haunted constantly by the fear that I might meet somebody I know. Frequently a spry young shirt salesman gives me a pitying glance, such as one bestows upon idiots and like people, opens up his vest, and proudly shows me that he himself is wearing one of the very patterns to which I have objected.

Once I went into an antique shop to look at a chair. The clerk was out for the moment and a colored porter kindly undertook to wait on me. The chair I had seen in the window proved to be not quite what I wanted, but the colored man was anxious to please his employer by making a sale. As a clinching argument why I should buy, he said to me in a confidential tone:

"I've got a chair about like that in my own parlor!"

The practice of mentioning a clerk's own preference or fondness for a given article is now considered, as they say in vaudeville, "old stuff." I know of one great department store which carefully instructs its saleswomen in the ready-to-wear departments that they must not, under any circumstances, say to a customer: "I like that on you," "That looks swell," or any such volunteer comments.

The fact that a certain type of salesgirl likes a garment might appeal to some customers as a good reason for not buying it.

This same store insists on just the right phraseology between a clerk and a customer—not only for the sake of courtesy but for greater efficiency. For instance, a clerk must not say to a customer: "Are you being waited on?" but, "Did you find what you wanted?" The latter form of inquiry has the advantage of applying to two different contingencies and the former to only one. It is drilled into clerks in this establishment that customers and possible customers in the store are the company's guests and must be treated as such. Those who look but do not spend must be made to feel that it is perfectly all right to do that very thing.

"We spend thousands of dollars every year in advertising," remarks the head of this concern. "These advertisements are invitations to the public to come in and see us—just as much so as engraved cards are invitations to a reception in

one's own home. Having invited a person to see us we must make him feel at home when he comes."

Before the child-labor laws were in such general effect over the country, department stores used to take very young girls and train them gradually so that they absorbed the atmosphere of salesmanship by easy stages. To-day salesmanship is taught to inexperienced employees more by talks and class instruction. It often happens that a person who is not naturally a good salesman will be kept and encouraged because of some qualities which make a good foundation for the actual technic of selling.

A girl whose mental processes are a trifle slow—but who is especially tactful, has a courteous manner, or limitless patience—may in time make a high-grade saleswoman.

A few stores of the better class aim not to employ any girl who has blondined her hair, because of a theory that, inasmuch as blondined hair is a faked article, a customer may unconsciously associate the idea of faking with the goods sold over the counter.

Be that as it may, no doubt there is a prejudice against blondined hair on the part of a lot of people, which might tend to detract from a blondined salesgirl's usefulness. I heard a store manager jokingly bewail the fact one day that his best salesgirl in the cloak department had peroxided her hair.

"I have a notion, after this," says he, "to hire nothing but brunettes."

One of the disheartening things, this same man told me, is that girls whose characters are perhaps not entirely above reproach often make the best saleswomen. They have a kind of *savoir-faire* and an insight into human nature that prove valuable.

The tendency in all lines of selling to-day is away from the so-called "trick stuff." It is dangerous to fool a customer into buying anything, no matter how meritorious the article may be. On the dining cars of a well-known railroad the menu cards used to carry both at noon and in the evening, a line, stamped on in red ink: "Special Chicken Dinner To-day, $1.25." Then the dining-car conductor called attention to this line, remarking casually:

"We have a special chicken dinner to-day. Very nice!"

Now the idea was to convey to the customer the impression that here was something out of the ordinary. The day before or the day after, or maybe any other day in the year, he might not have an opportunity like this to buy a special chicken dinner on the dining car at a flat rate. Yet that identical special chicken dinner was on the menu of that railroad twice a day—for both dinner and supper—every day in the year, including Sundays and Arbor Day.

Many persons never would buy that special dinner, no matter how much of an inward craving they had for chicken, simply because they thought there was trickery in the method of selling it.

Similarly the public dislikes to have a store insist on any business method which is too obviously designed solely for the interest of the store rather than for the customer.

For example, I went one day to a candy and soda-water establishment, accompanied by a beautiful and estimable young woman, intending to buy a round of drinks. I found that none of the salespeople would accept my order as bona fide until I purchased a check representing the amount of my intended purchase. At that moment neither of us had fully determined just what we were going to drink. We were obliged to confer on this point, and then inquire for price quotations on the drinks we had selected; after which it was necessary to go to the cashier and pay thirty cents—I believe it was—for a check. Without this check, paid for in advance, we could not enter into the picture at all.

The whole thing suggested a distrust of its customers on the part of the store—as if there was a fear that, having quenched his thirst, a man would pull his hat on tight and make a quick dash for the door without paying for his drink or his ice cream.

A big store advertised a special mid-summer fur sale for two weeks in August at greatly reduced prices. There was a set of mink furs for one hundred and twenty-four dollars, which ordinarily sold for one hundred and sixty-five dollars. The day after the sale had closed, a woman went to that store and sought to buy the mink fur set at the special-sale price. They told her she could have

it only at the regular price of one hundred and sixty-five dollars. She explained that she had been out of town during the sale and did not feel that she ought to pay forty-one dollars additional only one day after.

The salesman admitted that it was tough luck, but was firm. She asked whether they wouldn't compromise and let her have the set for one hundred and fifty dollars. They would not. So she went away and the store lost the sale.

"But," explained the salesman, "she will do us a thousand dollars' worth of advertising by telling her friends of the incident. She knows now, and they will know, that our special sales are really great bargain offers, and on the level."

I once met a traveling salesman who is as particular about his complexion and general appearance as a society woman. This is not because he is vain but because he desires to make the largest possible income out of his work. He knows that unless his cheeks are pink and ruddy and his eyes full of the luster that comes with good health, he is not up to his highest efficiency as a salesman. There are psychological reasons why it is wise for a salesman to look healthy. In the first place, the best selling point for an article is to get it associated in the mind of the customer with success. Everything, even remotely connected with the article, that suggests success is a point which weighs in favor of the sale. If the salesman looks prosperous, the customer unconsciously

or subconsciously receives the impression that this prosperity grew out of the excellence of the article he is selling. The salesman should carry into a store an impression of success, prosperity, and harmony. He should look as if things are "breaking well" for him, as the saying is. Now the idea of complete harmony cannot be conveyed without health. A sallow complexion suggests that something is not just as it should be. An unhealthy man is more likely to get sympathy than admiration. Sometimes he even excites a feeling almost like contempt. And the feeling the customer has for the salesman often extends, subconsciously, to the stuff the salesman is trying to market.

So this salesman tries to be fairly aglitter with good health and vigor and success and content and general harmony. If a man asks him about his business, or family, or health, or what not, he tries to drive home the impression that everything is perfectly lovely.

This man takes a cold bath every morning. He is not one of those cold bath liars who like to tell about their icy morning plunge and how they revel in it. He frankly *hates* a cold bath. But he endures it because he thinks it helps him to look healthy and wealthy and wise. It is a means to an end.

A salesman should, of course, never be a bore. If necessary for him to do a lot of talking, he should try to break up his selling argument into easy

stages. In this connection, book agents have a little trick that may be worth knowing. A good book agent never begins at the title-page to go through a book and point out its interesting features. He is more likely to begin well toward the back of the book and jump from there to the middle, then to the beginning, back again to the middle—and so on. In that way, the customer never knows whether the selling argument is to be long or short. If a man were to show you a book and you thought he was going to start in at the front and take you right through, you would be horrified, and nip his talk right in the bud.

So it is in selling any other article. It is well to have a customer believe that in a moment the salesman will have said all he has to say. In that frame of mind, the customer may listen to him patiently for, maybe, an hour.

CHAPTER XIII

MEETING HUMAN NATURE HALF WAY

ONE of the phases of human nature that every big-store manager knows is the difference between men and women buyers seeking the same sort of article. For example, the average man, looking at a new suit, considers quality first, price second, and style third. With women exactly the reverse is true. Style is the paramount requisite. Then comes the question of price, and quality last. After eliminating the items of style and quality, however, price is more important to a woman than to a man. Women are more careful shoppers than men. They will go farther to get exactly what they want.

Each year sees an increased tendency in nearly all lines of business to cater to women buyers. Even in men's wear, advertising appeal is made about as much to a man's wife as to the man himself. Many men wisely let their wives buy their shirts and neckties, and the consequence is that fewer red neckties are being worn with purple shirts.

If a man goes into a store accompanied by his wife to buy himself a hat, suit, shirt, or even a pair

of garters, the clerk is likely to address himself chiefly to the wife. He knows that her judgment will largely govern the transaction. The reason she is along, in all probability, is that, just after some previous purchase of his, she has issued an ultimatum, declaring:

"The next time you buy a hat *I'm* going to pick it out!"

Moreover, the clerk knows that unless he is especially polite to the wife she will take a dislike to that store and talk her husband out of trading there again. On the other hand, if the husband should feel hurt because the clerk was inclined to ignore him, the wife, by the time they reach home, will have convinced him that his grievance was all imaginary and that the clerk was in reality a delightful man.

Not infrequently a store advertising men's underwear describes the goods in detail, something like this:

"The drawers are well made, cotton ribbed, with full gussets"—and so on.

Now, not one man in a hundred, or a thousand, knows what gussets are. I myself should not know a gusset even if it came down and perched right on my shoulder. Is it not a waste of words, then, to tell about gussets in the advertisement? No; because most men's underwear, in department stores, is not bought by the wearer, but by the wearer's wife. And she knows what a gusset is if he does not.

Thousands of articles are sold because they appeal to some one or more of the five senses rather than to one's reason. If a merchant or manufacturer can offer an article that tastes better, looks better, smells better, feels better, or sounds better, and *is* better than any similar article on the market, and has proper selling methods, he can make a fortune. Women, especially, are reached through their senses. They buy a fabric because it looks pretty or feels good when they take hold of it. A man is more like to consider such advantages as cheapness or durability: things, you see, which reach his reasoning powers. Automobile salesmen often talk to a woman about the shape of the car, the color of the paint, the upholstery, and the easy-riding qualities, rather than about the efficiency of the engine.

Men buyers are by no means immune, however, to this appeal through the five senses, though they are not reached in just the same way. The masculine tastes are more vigorous. A man may prefer a rich red color where a woman would wish pale pink or baby blue just as a man orders strong coffee and his wife, maybe, takes weak tea.

One famous store has given a great deal of thought to this item of color alone, to find what kind of ribbon on candy boxes, for instance, and what color in various other wrappings will attract the largest number of buyers. In selling candy it is necessary to keep it constantly in mind, too, that while women are the candy eaters, men are

apt to be the candy buyers—especially when it comes to the higher-priced goods. They buy for gift purposes. And a man will, of course, pay more for a box of candy to take to his sweetheart than she would pay if she were buying it for herself.

For many years a certain successful merchant, when buying goods for women's wear, has made it a rule to seek something that makes him, as he expresses it, either mad or glad. He says that it does not matter whether he likes or dislikes a design, so long as he has a strong feeling about it, one way or the other. Invariably, he declares, if a design or a fabric seems to him so bad that it irritates him, a certain proportion of his women customers will rave about it. Others will dislike it just as much as he does, and will buy the kind of style that he himself would prefer. The idea is that a striking article, one which makes a definite impression, will meet with both approval and disapproval, according to how one looks at it. The merchant never buys what may be termed a neutral article, one which fails to impress him as either very bad or very good. For he has found that unless it causes a positive reaction in his mind it will not sell readily. It will appeal neither to those who like what he does nor to those who like what he hates.

One day a suit manufacturer came to him with three dozen suits that he hadn't been able to dispose of. They were terrible looking suits—of weird color, and of a design which suggested that the

tailor might have cut them out with a knife and fork.

"I haven't the nerve to charge you for these," said the manufacturer, "but I wish you would take them and try to sell them. If you do, just pay me whatever you think right."

The merchant did so. He placed one of the bizarre suits in the window, with the price, fixed at random, $14.95. Sure enough, the suit was so bad that many women decided it must be good. Every one of the three dozen was sold within twenty-four hours. Such is human nature. There are so many kinds of people in the world that almost every shading of taste has its direct opposite. The kind of woman one man might pick for a wife would not appeal to some other fellow as worth even a fraction of her upkeep. So it goes.

The old-fashioned way of selling things was for a storekeeper to lay in a supply of whatever he thought his customers would want, or ought to have. Sometimes he bought too much, and frequently he did not buy enough. Everything was left to chance, or to haphazard guesswork. Today a good retailer proceeds more scientifically. By using the law of averages he aims to know in advance exactly what his customers are most likely to want, and provides just that. He knows more about an average customer's needs and preferences than the average customer does himself.

Consider, for example, the item of perfumery.

Now, there are all kinds and grades of perfumery, from the very mild to the extremely smelly kind and it is used by all types of women. One way to sell perfumery would be to pick at random a variety of grades, and trust to luck to hit on an assortment that would sell evenly. Obviously it would be a big disadvantage to have a large surplus of one kind but not enough of another. A large chain drug-store corporation determined to find out exactly what kind of perfumery women like. By offering free samples and talking to the women who accepted them, they ascertained the preferences of several thousand women. Among other things, they learned that one woman out of every ten does not like any perfume at all. One fourth of all women customers at the perfume counter desire a strong, aromatic variety; but two thirds of the women want an odor that is extremely mild and delicate. These specifications, of course, are not sharply drawn; of those who desire a pungent odor, not all like just the same strength. But in a general way the proportions mentioned about represented the demand. Moreover, these proportions were practically the same whether the women were on Broadway or in Iowa.

Similarly, this drug-store concern found out what kind of candy people like best—how much more popular is chocolate with nuts in it than caramels, and all such facts as that. They know that chocolate sirup is the flavor most sought at the soda fountain; but they go further and try to

learn exactly what particular *kind* of chocolate flavor will give the most general satisfaction. Also, they seek to know not only that people like a certain thing, but why they like it. Referring again to perfumery, for purposes of illustration, they saw that the odor of the rose is much more popular than that of lilies or lilac. And the reason is that one tends to be buoyant while the other is heavy and depressing. A blended perfume is more popular than any one particular odor—because a person tires of too definite an odor, just as one tires of too decided a pattern in clothes. A plain blue serge will sell better in the long run than a black and white plaid. The subtle, intangible thing in perfume is best because it carries with it something of elusiveness and mystery. The average woman does not like to be identified by her fragrance the moment she enters a drawing-room. And no husband wishes to have his wife use perfume of too decided an aroma, no matter how well he might like it at first. In time it might get on his nerves.

One must never lose sight of the fact, in retail business, that people are creatures of habit. If they have been accustomed to buy an article in a certain shape or certain color of box, they do not know what to make of it if the color or shape is changed. For instance, cotton batting and medicated cotton have for a great many years come wrapped up in blue tissue paper. The idea is the same as that which prompts us to put bluing into the water when we wash clothes, because the blue

makes the white seem whiter. During the war it was difficult to get the dyes for this blue tissue paper. But to use pink paper or plain white paper would have meant a big reduction in the sales of the manufacturer who attempted anything so revolutionary. People are so in the habit of buying cotton in blue paper that they would be slow to believe it was the same cotton if done up in any other color.

Many stores make it a point to have what might be called suggestive grouping of articles. When a man comes up to buy a safety razor, he finds various other toilet accessories—shaving soap, talcum powder, and the like—in the same case, or near by, where his eye may easily take note of them. Any good clerk can tell which customers will welcome suggestions and which will not. When a woman walks up to the counter and states in an authoritative tone that she wishes to buy a hairbrush, and has the air of knowing exactly what she wants, a suggestion may irritate her. But, on the other hand, there is the customer who, obviously is not certain about her needs, and to her a suggestion is a favor.

There is a funny thing, though, about making a suggestion. Unless it is timed just right, it does not lead to any more sales. It should be made within a few seconds after the customer has made his first purchase. If the clerk takes the customer's money, gets his change, hands it to him, and then suggests something else, it is likely to be too late.

The customer doesn't want to go through the whole operation of buying and getting change again. Unconsciously he regards buying anything as a closed incident for the time being. Neither is it wise to talk about selling him something else before he has finished selecting the article he came in for. Let us suppose that a woman asks for a toothbrush. If the clerk instantly says, "And will you need any tooth powder?" before showing her the toothbrushes, she is justified in being annoyed.

Here is an odd little phase of buying-and-selling psychology:

Two men in a certain town run little stores in competition with each other, less than fifty feet apart. One seems to do a little better than the other. I asked him for the explanation.

"Well, for one thing," he said, "I keep my doors open later in the fall than he does, and swing them open earlier in the spring. All summer I keep my goods in show cases, so that I don't require door screens. The customer who has the slightest notion of coming in here finds that he can do so with the least possible resistance. Everything else being equal, a man would rather walk into a place where he doesn't even have to shove a door."

The average person is not a close observer. It is necessary to go more than half way to meet the average customer's ordinary range of vision, because he will not go the other half. One concern made hundreds of experiments with signs at soda fountains and found that, to get the best results,

they must have a sign directly on the level of the average customer's eye when he is seated. As near as they could ascertain, an announcement of a new drink displayed at eye level is just five times as effective as one two or three feet higher than the eyes. An observant man may look up and see the sign that is higher up, but, as I say, there are comparatively few observant men.

And in signs, just as in any other form of advertising, it is important to have enough variety in the type sizes to give the eye convenient stopping places. For instance:

IT IS EASIER TO READ A LINE LIKE THIS—in a window card,

than—

TO READ ONE LIKE THIS

The letters in the second line, while capitals, do not afford the restful variety of the first line. Where the first letter in each important word is higher than the others, they are like hooks upon which to hang one's attention.

CHAPTER XIV

TO BUY OR NOT TO BUY

It used to be that a man who was a seller of goods was also a buyer—of food and drink and entertainment. To-day the professional buyer is just as likely—maybe a little more so—to buy for the seller, as for the seller to buy for the buyer. The old-fashioned salesman proceeded on the assumption that anybody who bought from him was bestowing a personal favor and should be made a fuss over accordingly. Yet, when you stop to think about it, if an article is worth having, and the price is right, why is not the buyer of it just as much under obligation to the seller as the seller to the buyer? The man who buys the article prefers it to the money he pays for it, else he wouldn't take it.

I knew a young man once who was a bit of a soldier of fortune. He had a habit of running out of money at inopportune and unexpected places. On one of these occasions he had to choose between eating at cheap restaurants at his own expense and eating at high-priced hotels at the expense of somebody else. He picked the latter course, inasmuch as he felt at home—so he told me—only in an

atmosphere of more or less grandeur. The cheap places jarred on his tender sensibilities.

His first step toward having his meals bought by others was to go to the Public Library and read up on the technical points of certain kinds of high-priced machinery manufactured in that city. Equipped with this information, he called up the head salesman of a big machinery concern and asked the salesman to call at his hotel. He gave out the impression that he was representative of a big firm in another city, which was in the market for such machinery.

He contrived to have different salesmen take him to dinner—and even to breakfast—for three or four days, until he got ready to leave town.

The point to all this is that this gracious grafter might have more difficulty in working a game like that at the present writing. He might have to go and get in line and endure a long, irksome wait before he would have a chance to talk with the head salesman. A man selling an article of real merit is often so busy just now in pacifying customers who are complaining about slow delivery that he hasn't any time left for entertaining mere prospects.

A good example of this is in the automobile industry. Only a dozen or so years ago a great many automobile salesmen were somewhat the same type as wine agents. They were affable entertainers, and it was not unusual for them to abandon hope of selling a man a high-priced car unless they could do so when his mind was not altogether

clear. To-day, if you buy any of several autos, you probably try to work a personal pull with the agent in order to get more prompt delivery than some other customer. The chances are that you do not even ask for a very elaborate demonstration, but buy on hearsay—that is, on the general reputation of the car. A great many autos—even of the higher-priced makes—are sold over the telephone, just like butter and eggs or any other staple commodity. No one expects his grocer to come round and buy him a drink before landing an order.

A young man I know determined to buy himself a small auto. He thought the thing over a long while before making up his mind, and the proposed purchase was discussed in his family until it naturally took on a lot of importance. It marked an epoch, in a way, such as when he got married and the time he bought his home. The passage from the pedestrian class to the automobile class was no trifling event. So, when he went to the marts to buy, he felt that he had coming to him a great deal of deference.

"I'm thinking," said he to the agent of the car he had selected, "of buying a car."

"All right," agreed the salesman, pleasantly. "If you place your order to-day I might be able to get you delivery inside of a month."

He was courteous enough, but he talked in an offhand tone as if he had been saying:

"Will you take it with you or shall we send it round on the afternoon delivery?"

"I should have had a lot more attention paid to me," remarked the customer in telling of the incident, "if I had been buying a lawn mower, or even a good monkey-wrench."

However, the change of attitude is not so much on the part of the seller as on the part of the buyer. There is just as much selling competition as there ever was—probably more; and that is why the buyer has come to look at things from a new angle. A great many lines of goods are bought by professional buyers, and the professional buyer is the fellow who first saw the light. He found that being entertained or palavered over was costing him money—too much money. He decided that he was being played, as the saying is, for a sucker.

The seller entertains the buyer in order to place him in rare good humor and get him to buy at the highest possible price. The buyer awakened to the fact that in the long run he himself was paying for all meals and theater tickets provided by the genial and urbane persons who had things to sell. Inasmuch as he was paying the bill, then, why not appear as the host and get credit for the outlay, and make capital of it for his own purposes?

There was a chairman of the Committee on Foreign Affairs, in the House of Representatives, at Washington, not so many years ago, who used to give dinners to various dignitaries, sending out invitations in his own name and getting all credit for the entertainment, but assessing the cost among the various members of the committee.

This was, in a way, what used to happen and doubtless still happens between a great many salesmen and buyers. The buyer is entertained until he buys enough goods to pay not only for the goods but also for the entertainment.

But the wise salesman prefers to have his customer in such a frame of mind that *he* will offer to buy the lunch or the dinner. For he knows that a customer likes the sensation of being entirely free from obligation to the salesman with whom he is dealing. Moreover, the man who has just bought a dinner feels more kindly toward his guest than if the other fellow had paid the check. It is human nature to be so pleased with one's self after doing a kind or agreeable act that one feels well disposed toward the person receiving the favor. I used to know a young man who was rescued from drowning by a pretty girl with whom he had been on extremely friendly terms. Not more than a month after that he, in turn, rescued another girl from drowning. He married one of these girls. But not the one who had rescued him. The other one had made him a hero, and he loved her for it.

John J. Hicks is head buyer for a great retail establishment in a Middle Western city and goes to New York several times a year to buy goods. He got a large amount of pleasure out of these trips East. What with theaters and dinners and automobile rides and one thing and another they formed bright little spots in his busy life. His host

at a great many of these nice little parties was Max Izzent, or some such sounding name as that. Somehow or other the store Hicks bought for was never able to make much profit out of the goods it got from Max Izzent. Yet a rival store up the street sold a lot of the same line of goods; and from the way it pushed them, it looked as if it was making a good deal of money out of them.

John J. Hicks tried to buy the goods cheaper, but without success. He became convinced that the buyer from the rival store up the street must be getting them cheaper, else he would not have bought in such large quantities. Hicks also noticed that the rival buyer hardly ever accepted hospitality from Max Izzent. He therefore took a size-up of the situation—and bought some theater tickets. He bought them from a speculator at a fancy price, and they were for a show that was selling out, mostly, two weeks in advance. Then he went to the telephone and called up Max Izzent.

"Max," says he, "a friend of mine from Omaha was called home on account of the serious illness of his old Aunt Ella, and he gave me some tickets he had managed to pick up a week or so ago for *The Cerise Nightie*, up at the Juckandpudge Theater. I've been wanting to see that show, Max, but I don't want to see it unless I can have some good fellow like you along. Will you join me?"

Now Max had been taking Hicks to theaters, but that was purely a matter of business. Here,

on the other hand, so it seemed to Max, was Hicks taking him just because he enjoyed his company. That was really quite flattering. He thought more of Hicks than he ever had before. Hicks was a good old scout, so he declared to himself, to prefer his society to that of anybody else in New York.

Up to that time Hicks had never felt like quibbling over the mere matter of price with Max Izzent, after Max had been so hospitable toward him. Now, however, all this was changed. He was doing something for Max, which made him have a rather patronizing feeling toward Max. He could talk to him in fatherly fashion and tell him frankly that his prices were too blamed high! The consequence is that since then he has been buying things from Max for at least thirty-five per cent. less than he ever did before.

Hicks learned the advantage of making a personal hit with the men from whom he wished to buy and winning their warm regard, instead of merely permitting them to ingratiate themselves upon him. One man with whom he had been dealing had recently built himself a big home over in a bleak section of New Jersey. Hicks found that the man was itching to entertain somebody in this fine new home, but it was so far out that his New York friends were slow to come. So Hicks drew him into conversation about nice places to live, and the man naturally fell to talking about his new house in Jersey.

"Sounds mighty good," remarked Hicks. "Why don't you ever invite me over there? You know how I hate the confusion and bustle of New York."

"Come over to-night!" exclaimed the salesman with enthusiasm, slapping Hicks on the back.

And Hicks went. It paid him to go, not only because he could do business with the man on a much more advantageous basis thereafter but because of the real pleasure it gave his host. In this instance the obligation all went toward Hicks, even though the other man was doing the entertaining. He felt grateful to Hicks for giving him an opportunity to show off his new house, just as a child is pleased when anybody seems to show a genuine interest in his newest toy. Hicks was a man more familiar with the social graces than the salesman himself, and the visit flattered him.

A shift in buying and selling practices seems to be slowly taking place. Understand, I do not mean that there has been a complete change—a revolution or anything like that. But there is a difference. There is one class of buyers, however, who still expect to be carried about and fussed over with considerable éclat; and these are the buyers from the smaller towns, who are usually also the owners of the establishments for which they buy. They are a little behind the professional buyers from the big cities in finding out the advantage of entertaining the other fellow instead of letting the other fellow entertain them.

There is another vast advantage the professional

buyer has over the small-town merchant who does his own buying: The latter is so much more concerned with various other details of his business that he gives little thought to whether or not he shall buy a certain lot of stuff until a smart salesman drops in on him.

Then what chance has he? He must match his wits against the salesman, who is a specialist at talking people into buying things, whether needed or not. The salesman has been practicing on his line of argument for weeks. There is scarcely a loophole of possible escape that he hasn't thought about scores of times in advance. The merchant, on the other hand, has to combat these selling arguments with such a line of defense as he can rig up on the spur of the moment. And this is not so easy as one might think. The chances are that the merchant falls a victim to the salesman's cleverly worked-out conversation—and overbuys.

I asked an old, experienced salesman once why so many retail enterprises sooner or later fail. Without a second of hesitation he declared:

"It's because they do not buy with sufficient care."

He went on to say that the smaller the town and the smaller the business, the more likely the storekeeper is to overbuy. Go into almost any small country store and you will find a large percentage of goods which are practically worthless—stuff that the proprietor couldn't sell in a hundred years, except at a loss. If you were to investigate,

the chances are that you would find this percentage of useless stock growing smaller and smaller as you looked into bigger establishments, until in the case of a great department store there is practically no dead stuff on the shelves at all.

The trouble is that most of the business education has been along the line of selling. There are schools of salesmanship and talks on salesmanship and magazine articles about salesmanship, but right offhand I cannot think of ever having read a treatise on how to resist expert salesmanship.

A high-grade salesman was endeavoring one day to obtain an order from the head of one of the leading department stores in Pittsburgh. The two were warm personal friends, yet the salesman could not get his order. He finally gave up somewhat in disgust, and the two got to talking of other matters.

"What," asked the salesman, "do you regard as the chief secret of your success?"

"Undoubtedly," replied Mr. Boggs, "it is being able to resist a man like you. Here we are, old friends; you're a gifted salesman, and your goods are always the very best of their kind. It is, indeed, a strong temptation to buy from you. But I don't need anything from you at the present time. So I must say 'No.' Except for my ability to say 'No,' I should have been on the rocks long ago."

A once-successful publisher brought a great magazine to financial ruin a few years ago for that

© *American Magazine*

Many a business enterprise has been wrecked because of the inability of the proprietor to resist clever salesmanship

very reason. Every time he saw a clever manuscript he could not resist buying it. Before long he had thousands of dollars tied up in manuscripts stacked away in his safe. He could not have used them all in fifty years.

CHAPTER XV

FINDING THE KEYNOTE

ALMOST any average man likes to be flattered about his masculinity, just as the average woman likes her beauty to be noticed. All men, a barber will tell you, love to hear that they have an exceptionally tough beard and are hard to shave. You can make a bosom friend of a scrawny, undersized man by telling him that you bet he is mighty and strong and wiry, and that he will live to put flowers on the graves of his more robust-looking associates.

Every man has some keynote that completes a chord. Often it is the exact opposite of what one might naturally expect. A comedian, for instance, will feel twice as flattered if you tell him you know he was born to play tragedy than if you tell him you laughed yourself sore at some of his comic antics. A statesman's greatest vanity may be his belief that he can play the violin or that he is a good judge of fancy chickens.

Frequently a handsome woman in business is more proud of her commercial ability than of her face or figure.

One unusually successful salesman I know keeps

a little card index telling the most direct route to the hearts of all his customers. Public speaking, dogs, trout fishing, children, gardening—those are among the notations on his cards.

If you were to go into the office of Louis W. Hill, head of the Great Northern Railroad, and try to see him on a matter of the utmost importance, you might get your card returned with regrets. But send in a message that you have come to talk about Col. Bill Hanley, of Bend, Oregon, and you are almost sure to get an immediate audience. Col. Bill Hanley happens to be not only Hill's friend but his hobby.

I recall a brief interview I once had with John D. Rockefeller. There were several possible methods of approach. One was to flatter him about his little household economies. It was common knowledge that if you told Rockefeller you had heard that less food was wasted in his household than in the humblest home, he would be immensely pleased. Petty economies comprised what Rockefeller regarded as one of his noblest virtues. Another thing he liked to hear was what a power for good he was in his church or Sunday-school. A few days previous, I had been to his church in Cleveland and heard him make a short talk to the Sunday-school children. It was just an ordinary, platitudinous talk. But I told him how much I enjoyed it and what a lot of good it must have done. He became rather cordial immediately.

If I had started in to tell Rockefeller that I

considered him the greatest business man, or the greatest financier, the world had ever known, probably he would have been bored. He would have known that I was not competent to judge his business ability, and that my opinion on that subject was well-nigh worthless. But he appreciated that almost anybody was capable of judging whether or not he was a good talker.

A friend of mine had an almost identical experience with Andrew Carnegie. The steel man had delivered an address at the College of the City of New York. At the close of the exercises, Carnegie, all rigged up in a cap and gown, was marching along in a solemn procession of faculty members and graduates. My friend, a New York newspaper reporter, sidled up to him and began to talk about how much he had enjoyed Carnegie's speech —how helpful and inspirational it had been. In a moment he had steered Carnegie out of the procession to a little seat, where he got answers to a lot of questions that the steel master would not ordinarily have listened to.

Once I wished to talk to the late Chief Justice Fuller at the close of a speech he had made before a Western college. I realized it was no use to say anything to him about his oratory, because public speaking was to him an old story. But I did say to him:

"Mr. Justice, I didn't suppose a man on the Supreme Court could be so human."

At once he gave me a smile right which came

from his heart. The old chap liked to be regarded as a human being.

A lot of men like to hear just the opposite. Many a man likes to be looked upon as a mere intellectual machine. In doing business with a man once, I insisted on having everything in writing.

"Because," I told him, "you're so cold-blooded and shrewd that I want to know just exactly where we stand."

At that he fairly beamed all over. It was his ambition to be thought cold and shrewd in business matters.

Then there are men whom you can win by telling them how immoral you imagine they are. Or that you think they are working too hard. Still other men can be reached only by listening to them. Just let them talk on and on, and look interested, and they will have a high opinion of your judgment.

Years ago, when I was a young reporter doing police news, there was a big fat policeman named Jim Williams who was one of the best news sources in town. It seemed as if more strange things occurred on his beat than anywhere else. All of us who were obliged to write of fires, accidents, burglaries, killings, and the like, tried to cultivate Jim Williams, to ingratiate ourselves in his favor. None of us could get so many profitable tips from Williams, however, as a reporter on one of the morning papers named George McFarland.

Nearly every day McFarland would have at least one exclusive piece of news, and usually it would appear to be traceable to Jim Williams. It was bad enough to be beaten on these news stories, but it was particularly irritating to have to trail behind McFarland, for he was in many respects the poorest reporter in town. All the rest of us on the police beat felt rather important over the possession of college degrees, and thought we could express ourselves in good high-brow English. Poor McFarland had scarcely any education at all. Moreover he drank some, was unkempt in appearance, and looked more like a tramp than a representative of a great daily organ of progress and enlightenment. I doubt if he could have constructed a grammatical sentence. He collected his facts and telephoned them to his office to be written. And, as I have said, he obtained facts that the rest of us overlooked—largely because of his ability to maintain the respect and esteem of Jim Williams, the policeman.

"It's this way," somebody suggested one night, as a disgruntled quartet of us sat in the reporters' room at the central police station, "Williams is a stolid sort of big cop, not of very high mentality. He lives on about the same intellectual plane as McFarland does. Naturally they have a good deal in common."

That set me to thinking. I made up my mind to get in with Policeman Williams on some basis of amity and equality which would lead to a free

© *American Magazine*

Jim Williams' keynote was food—things to eat!

exchange of ideas and knowledge. I sat down and tried to think what I would enjoy talking about if I were a policeman forty-two years old and weighing two hundred and forty-seven pounds. Obviously, he would probably care little about Chaucer, dramatic sequence, the binomial theorem, or the nebular hypothesis. I would have to get down to some of the more elemental things of life. Well, I went out and tried him on a number of topics, which included: baseball, politics, horses, prize-fighting, and physical culture. The only good response I got—the only positive reaction, as they say in scientific circles—was from the latter topic —physical culture, or how to keep one's self in the pink of physical condition. Williams was a trifle vain about his physique. He gloried in his strength. Yet I found that I was still a trifle shy of hitting the nail right on the head. I felt certain I was getting warm, as the saying is, but there was something else that Williams would rather talk about than his physical prowess. Quite by accident I stumbled upon it. From physical culture we went by easy stages to the matter of diet—diet and food and cooking. There at last was Jim Williams' keynote. Food! Things to eat!

When you pause to consider it, this fad was not surprising: here was a big, able-bodied man who was obliged to tramp about the streets all day with scant opportunity for mental stimulus, but all the time working up a fiendish appetite. Naturally, he was able to consume large quantities of food,

and he tried various kinds. He learned to like food that was well prepared. He came to regard himself as something of an epicure. Food was his hobby. After I found this out, Williams and I used to stand on street corners discussing food and culinary processes for an hour at a time. His favorite proposition for friendly debate was whether stewed chicken is better than fried chicken. I always spoke in behalf of fried chicken, and he was firm in his advocacy of having his chicken stewed. Before leaving him, however, I always conceded that perhaps he was right. No matter how often we held this discussion, the policeman was always eager to take it up again. He was like a child who never tires of the same little bedtime stories over and over and over again.

The consequence of all these heart-to-heart conversations with Jim Williams was that he came to have a warm, personal regard for me, and he saw to it that I got always a little more than my share of news events off his beat.

Without knowing it at the time, I was learning salesmanship. I could have sold Jim Williams anything from a gold brick to a threshing machine.

I remember having once a difficult newspaper assignment which took me to a cattle ranch out West. There were two cowboys there with whom I was obliged to make myself solid, for I desired information which they alone could give me. This seemed like a woefully difficult task, for I was a tenderfoot and they were more likely to laugh at

me, I feared, than to confide in me. But I quietly looked about for the proper sort of topical fulcrum. Among other things, I chanced to note that there was a division of opinion among the cowboys on this ranch as to whether it was better to have double girths or a single girth on a saddle. Moreover, I heard arguments about the wearing qualities of two different brands of overalls. I made it a point to find out what brand of overalls my two men wore, and how they felt about single or double girths. It happened that both men were in sympathy with the double girth cult, and I accordingly found opportunity to remark casually to one of them that I was surprised to see so many men, otherwise intelligent, who rode on saddles having only a single girth. I said that it seemed to me two girths would not only be a great deal safer for the rider, but vastly better for the horse.

"You've said something, old pardner," agreed the cowboy. "A man couldn't give me a saddle with only one girth on it."

And from that time on we rapidly became friends. Then he and the other man and I took up the overalls question. My point of view was in such accord with theirs that their respect for me grew still greater.

That reminds me of a little episode at the time of the San Francisco earthquake, to "cover" which a reporter named Ross was sent out by his newspaper. Ross learned that United States marines had been landed in the city to maintain martial

law and stop looting. Certain members of one company of marines had witnessed a lot of human interest scenes which he wished to know about. But he knew he would get little detailed information if he merely went to members of the company and asked them point-blank for what he wanted. He must get to talking to them about something which would appeal to them right from the start. This was not easy, because the things the marines knew about and were most interested in pertained largely to matters aboard ship, concerning which Ross knew nothing. Finally, he figured the thing out: A marine, living mostly on shipboard, does not ordinarily do a great deal of walking. These men were not only obliged to do a big amount of walking, but they must do it over streets littered with all kinds of rubbish and obstacles. It stood to reason that their feet must get extremely tired and sore.

So Ross talked to the marines about sore feet!

And he made a hit with them. They welcomed him among them as one who spoke their own language.

In a little town lived a man who made a comfortable fortune by conducting a clothing store. Considering the amount of his investment he made a bigger profit than any small town merchant I ever heard of. Yet he was a man of just average ability. The secret of his success was simply his gift for playing on people's vanity. He never permitted a young man to buy a suit of clothes without

patting him on the back and whispering in his ear something like this:

"I tell you, old fellow, it doesn't do me any harm to have people know where you buy your clothes. You've got a nice athletic build and always look well; you're a good advertisement for me. I'll appreciate it if you'll drop a remark now and then about where you bought your suit."

He made it his business to know the hobbies and little vanities of nearly everybody in town. If a man had a dog he was proud if the storekeeper would talk to him somewhat in this vein:

"A friend of mine down East wants a dog like yours. I was telling him you had the best dog of its kind in this part of the country, but you wouldn't sell it!"

If the customer's main pride in life was his wife, his weight, his front yard, or his golf game, he could not easily get out of the store until the proprietor had patted him on the back and complimented him on the thing he most liked to hear about.

I never bought a shirt or a necktie from the man when he didn't remark:

"You certainly have the knack of picking the pretty patterns. I must lay out one like that and take it home for myself."

He told everybody that.

A real-estate friend of mine flatters his clients by a little scheme that he says has proved to be worth the extra time it requires. A customer drops in and wants to buy, let us say, a piece of investment

property. The man's financial status is such that he could not swing a piece of property worth more than ten thousand dollars. So this real-estate dealer tells him he has the very thing—and shows him a place worth thirty-five or forty thousand dollars.

The man is then in the position of the negro who was asked for a loan of ten dollars and said: "I ain't got ten dollars, but I thanks you for the compliment all the same." He has a high opinion of the real-estate man's judgment in sizing him up for a person who would think nothing of dashing out forty thousand dollars. And though he does not buy any of this expensive property he ends up, perhaps, by at least buying something.

This real-estate man hit on another way to play on people's vanity. He found that nearly everybody takes pride in the ability to drive a good bargain. This is especially true of a great many women. So, in repapering houses he has for rent, this man always lets one or two rooms go until a tenant is about to move in. The tenant is almost certain to want something done, if for no other reason than for the sport of driving, as he thinks, a close bargain. The real-estate man then agrees to redecorate the two rooms he has reserved for that very purpose, and both parties are pleased.

I have frequently had occasion to observe that to win the favor of a certain type of men it is necessary, in so far as possible, to make even one's language correspond to his. For instance, I heard of a bright young man, just out of an Eastern

college, who failed to land a big order with a country storekeeper, just when the deal was about closed, because his talk got on the storekeeper's nerves. It seemed that the young man had been taught to say "bean" for "been," after the English fashion. The storekeeper declared that he was "too blamed grammatical."

Once I sought information from an odd old character who lived by himself out in the country. I was tipped off by neighbors that he was hard to approach and had an aversion to "city folks"; that I should wear old clothes, and adopt a rather rough, uncouth line of talk, being careful to say "have saw" and "has went." I did as directed and stopped at the man's house one afternoon on a pretext of getting a drink of water. We were getting along first rate when he chanced to say something that I did not hear distinctly. Thoughtlessly I said, "Beg pardon?"—meaning for him to repeat what he had said.

The moment I said "Beg pardon," he abruptly severed all diplomatic relations. He simply walked back into his house and slammed the door. I seemed to him too formal and polite. If I had inquired, "Whut's that you said, hey?"—all would have been well. Such characters as that are unusual and, of course, rather negligible. The point is that in meeting people it is often necessary to adjust one's conversation and phraseology to theirs, or else they will feel ill at ease, and will not readily respond to one's wishes.

I was sent one time to obtain an interview from the governor of a great state. It was on a matter that he had refused to talk about, and I went on the mission knowing that several others had failed.

A few hours before starting I inquired about the place up in the country, where the governor was spending the summer, and found that it was in a locality of great historic interest. That recalled to my mind that the governor's hobby was American history. So I hastened over to the public library and crammed as much information into my head as I could before train-time about the early history of the section where the governor lived.

At the governor's home, I did not wait for him to ask me what was the real object of my visit, but began to talk about the wonderful scenery, and about the fact that it was my first trip into a locality I had known about chiefly by reading of it in my school history as a youngster. Thus we soon got launched into a discussion of American history—a discussion in which I would have been lost except for having fortified myself hurriedly at the public library just before leaving the city. We sat on the governor's veranda and talked for an hour without the governor ever pausing to wonder what had really brought me there—he was that much interested in the discussion. Gradually I steered the conversation around to the political matter that I was anxious to know about. But the moment he started to talk of that I purposely interrupted him to ask about something

else along historic lines. Then later I apologized for the interruption and let him talk politics, just as if I were listening to that solely out of politeness. We became quite friendly. Finally it occurred to him to ask:

"Just what mischief are you here for, anyhow?"

I told him, and he said he would not talk politics. But I reminded him that he had already done that very thing. He insisted that he had not done so for publication. I persuaded him to let me use what he had said, with the exception of one or two details.

Now, except for our long talk about history, which had given us a chance to get acquainted, he would never have talked politics at all, and even if he had he would not have granted me permission to quote him. It would have been the same way if I had gone to him as a salesman. If on my arrival I had let him know what I wanted, he would have refused point-blank, and it is doubtful if any amount of persuasion would have changed him.

Sizing up a man is often a matter of simple elimination. Sometimes I amuse myself by trying to tell all about strangers I see in public places. One winter night, I sat next to a substantial-looking old chap and his wife in a theater. He was a quiet, humble-appearing fellow, and yet I knew that he had money, because both he and his wife had clothes of excellent quality—even though they were not especially stylish—and his wife wore

a good deal of expensive jewelry. Yet the man looked rather ill at ease. From this I judged that he had not always been accustomed to the luxuries of life; theater-going, I felt sure, was rather new to him. I wondered how he had got his money. Probably not by inheritance, for if it had been in the family for a long time he would have been more used to it. Not by any short-cut, get-rich-quick scheme, for he had too honest a face, and he looked like a lifelong toiler. Not as a member of any profession, because he was not well enough educated. Not in retail trade of any kind, or he would have been so accustomed to meeting all sorts of people that he would have looked more at ease.

I made up my mind that he must be a manufacturer. He was not running an automobile concern, or making any kind of product with a lot of different parts, because that would mean various departments to his business, and would require probably more executive ability, more capacity for organization, than his face indicated he possessed. Therefore, he must be the manufacturer of some simple, staple product. His business must be one that had grown gradually from a humble beginning something that would not require an elaborate equipment to start with.

Between the acts we got to talking, and I found that he was the owner of a prosperous little brickyard in a Western city.

Obviously, if I had been intending to sell that man something, it would have been a big advan-

tage to know what his face told me about his career and characteristics. Likewise, if his face had indicated him to be a serious-minded man, I would not approach him in the same way as if he were a man who must be joked with.

The story is told of a traveling man who lost a big sale by springing on the wrong customer a little joke that was then going the rounds. He took a match from his pocket and told the customer it was a new kind that would light if one threw it up in the air. As he tossed it up, he said:

"See, it lights on the ground."

The customer turned on his heel in disgust, declaring:

"I wouldn't buy anything from you. You're too con-demned smart!"

A man of a different type of mind might have taken a liking to the salesman for showing him a joke that he could try on his friends.

Too much importance cannot be attached to the auspices under which you meet a man. You can walk right in on some men, introduce yourself, and immediately stand on your own merits. But other men have a habit of judging a new acquaintance by the company he keeps—or doesn't keep. The quickest way to make progress with such a man is to get one's self identified with persons whom he regards favorably, or, better still, to be introduced to him by somebody who has his full confidence. On one or two occasions I have been sent into a

city after certain information, and have remained there a week without ever going to see the man I really wished to see. I devoted myself to scraping up an acquaintance with the men or women who could give me just the right point of contact with him.

Often one can tell a man's business or his instincts by studying his face, watching his actions, or listening to his talk. One morning I had a caller before breakfast at the hotel where I was staying. I asked that he be sent up to my room. As he entered I apologized briefly for having to receive him in an old lounging robe, explaining that when he called up I was right in the midst of taking an informal little bath.

"Ah, that's all right," he replied, breezily; "bathing is a good thing both for the individual and for the State."

The impression came to me at once that the man must be an insurance agent. Only a salesman or a lawyer—men who make their living partly by conversation—would have been likely to utter such a comment so glibly. The man probably was not a lawyer, because, in the first place, there was no reason why I should have received a call from a lawyer; in the second place, he had the attitude and expression that salesmen seem to acquire after several years of service. The most likely type of salesman to call on a man of my condition of life was an insurance agent. I judged him to be one —and I was right.

Moreover, though he was energetic and enterprising, this man was not a really successful salesman, because he lacked tact—else he would not have called on me without an appointment at such an inopportune time. Because he got me out of the bathtub, if I had wanted any life insurance I should have left no stone unturned to make certain that this man did not sell it to me.

And this reminds me that a salesman should try to find out in advance a prospective customer's moods and daily habits. If he is a man who has important work he likes to perform before noon, he should make it a point not to disturb him until afternoon. But if he is a man who tires easily, is in the habit of eating a hearty lunch, and becoming sleepy, crusty, or irritable in the afternoon, naturally the salesman should aim to see him in the morning.

CHAPTER XVI

APPLYING IMAGINATION

HUMAN nature is full of curious quirks, and imagination is stirred by trifles. A number of years ago, when William Gillette was appearing in the play *Sherlock Holmes*, he wore a lounging robe in one scene; and whenever the play came to a city there was an increase in the sale of lounging robes in that city. It was not because there was any greater need of such a garment than before, but, of all the men who went to see the play, many were impressed with how clever and attractive they themselves would appear if they were to loll thoughtfully about the sitting-room, in easy, graceful attitudes, incarcerated in a handsome lounging robe.

On the other hand, a wholesale grocer tells me that some time ago, when the famous "Hand him a lemon" joke was new and going the rounds, there was a noticeable falling off in lemon sales. People actually disliked to go into a grocery and ask for a dozen lemons, for fear the clerk would make some laughing reference to the joke. They got tired of hearing the lemon expression, or else got lemons unconsciously associated in their minds with something comparatively undesirable.

A merchant one day placed on display a show window full of electric toasters and electric irons. With these were neatly lettered cards explaining what the articles would do. Nobody paid any particular attention to the display. Then the merchant chanced to hit on the plan of having some nice, fresh, crisp-looking pieces of toast on the toaster, and some more pieces all buttered, ready for the ultimate consumer, on a pretty plate near by. The electric iron rested on a cute little outfit of French lingerie, such as is worn by beautiful heiresses. This method of display immediately attracted customers into the store. Just as many people knew that the toaster was a device one could make toast on, when there was only a printed card alongside of it, instead of the toast. But the one method stirred the imagination and the other did not.

It has not been so many years since concerns manufacturing high-grade brick used to throw aside and sell at a great reduction all bricks that were overburned and, therefore, not of uniform color. One day a brick man became possessed of a bit of imagination. He arranged a lot of the spoiled bricks into a little wall, with the colors harmoniously blended, and called it a tapestry effect. Then he exhibited this wall to customers and began to charge about four dollars a thousand more for the spoiled brick than for the other. People gladly paid the extra charge because of the beautiful color effects that were possible with the overburned bricks.

It is a part of human nature to pay special heed to that which bears the stamp of success. You start out in New York to attend a theater. There are plenty of good shows, but you find that only one theater is sold out. So you immediately lose interest in all the others and set your heart on going to the one where seats can be obtained only by paying a premium to a haughty speculator. It may not be a very good show, after all, but you think it is, else why would so many persons have clamored to get in? On the other hand, you drop in at an excellent performance where the theater is only half filled, and it is difficult to get much pleasure out of the entertainment, because you keep looking at the empty seats and thinking that the show must be extremely poor or those seats would have been occupied.

A certain restaurant proprietor had enough imagination to take note of this human trait and utilize it in his business. He knew that his restaurant could not draw as large a trade on some days of the week as on others, and that some seasons of the year would be comparatively dull. And he knew, also, that if customers saw a lot of empty tables, they would begin to wonder what was wrong with his food. So he always had just enough tables barely to accommodate his trade for any particular day. Thus he threw an atmosphere of success about his establishment—by giving the impression that he is always doing a capacity business.

I heard of two rather good restaurants within sixty feet of each other in a thriving big city. One of these does a rushing business, but the other does not. Yet the prices, service, and quality of food are practically the same. The reason one is more successful is because the proprietor happens to know how to harness human psychology and make it work for him. He places his coffee urn right by the door and has a little electric fan to help blow the aroma out into the street. This appetizing smell attracts many a customer to whom the thought of eating in that particular restaurant might not otherwise have occurred.

A little retail concern selling electrical goods sent out a lot of form letters announcing special prices on lighting devices and vacuum-cleaners. Those about the lighting were posted at a time of day so that they would be delivered on the last delivery and read by artificial light—when possible prospects would be rather easily swayed by arguments in favor of better lighting conditions in the home. But the letters dealing with the vacuum-cleaners were posted at a time which would insure their being delivered in the forenoon, when the housewives were in the midst of household drudgery. This same little store specialized in electric fans. The proprietor knew that if he could only sell a fourth as many in winter as he could in summer it would mean a lot to him. So he set his imagination to work. He employed a pretty girl with luxuriant auburn hair to wash her

hair in his show-window every afternoon. Then he demonstrated how quickly one's hair could be dried by the use of an electric fan.

Doctors have found that an office filled with glass and porcelain cases, containing expensive-looking instruments, is an excellent investment, even if the instruments are never used. Patients look at them and think the doctor is prepared for the worst. Just to know that there *are* so many different kinds of instruments must, so they think, represent considerable technical education.

One doctor told me he was obliged to keep a big automobile to make calls in because other doctors did; and he should not dare to have his patients think he could not afford one—which was the precise truth of the matter. A much more sensible car for running about town would have been some cheaper make, but he had rather a society practice and his patients would have resented his pulling up at the door with any car costing less than five thousand dollars or having tires less than thirty-five inches in diameter.

A funny little scheme was used by a hotel man, who conducted a small mountain inn for summer tourists. One day, by way of perpetrating a practical joke on certain guests, he put in several mileposts, less than three quarters of a mile apart, on roads leading out from his hotel. Shortly afterward he noticed that guests who had been spending their vacations there for several seasons had a tendency to remain a week or so longer than

usual. He did not know why this was until one day a guest remarked:

"This place is doing me a lot of good this year. I can walk farther than I ever could in my life, and with less fatigue."

That being the case, the proprietor quietly left the mileposts right where they were. He also found that there was no investment so beneficial to his trade as having a good set of scales on the veranda. Many hotels had scales that required a nickel in the slot. At this place they were free. The idea was that a person on a vacation is almost certain to weigh himself if there is a set of scales conveniently near. Moreover, a person undergoing a change of scene and not at his usual work is likely to gain in weight. Or, if he is too heavy, he is likely to go in for exercise and lose in weight. In either event he will be pleased at what the scales show and will have a disposition to attribute his improvement to the excellence of the place where he is staying. And if his hotel bill at the end of the week seems high he, nevertheless, is reconciled to it and says nothing.

A great many suburban allotments have massive brick gateposts, with stone caps, at the entrance, even though there are no sewers or sidewalks; and usually the comparatively slight cost of these posts is a fine investment for the man with lots to sell. They give a touch of grandeur, which the prospective buyer subconsciously associates with the entire layout. Without realizing it, he pictures

the allotment all built up with palatial homes having winding drives, box hedges, beautiful, carefully reared children, and pedigreed dogs, on cosy verandas.

The story is told of a western railroad general manager who dropped in at one of the eating-houses provided for the construction gangs on his road, and noticed that the men were served with brown sugar. He asked the man in charge of the eating-place why they didn't have ordinary granulated sugar.

"Because this is cheaper," was the reply.

"Let's see if it is," suggested the general manager. He took a teaspoon and picked up all the brown sugar the spoon would hold. It made a little mountain of sugar. Then he tried the same thing with granulated sugar and the spoon would not hold half as much.

"You see," pointed out the general manager, "if every man uses an average of two spoonfuls in his coffee, granulated sugar is the cheaper. We must apply a little imagination when we can."

The father of former Senator Jonathan Bourne, was a shipper at New Bedford, Mass. He possessed Yankee thrift, and was businesslike right down to the fractions. One day an anchor was left lying on Bourne's dock. An employee noticed this, and, following the general policy laid down by Bourne, he made out a bill for dock rent. For the little while the anchor was there and the small space it occupied, the rent amounted to just one

cent. He mailed the anchor owner this bill. Bourne heard of the episode and made this comment:

"You used your imagination, but not quite enough. To have thought of making out the bill, even though it was small, was good business. But to have mailed a bill for only one cent, when it took a two-cent stamp to send it—that was bad business."

One of the most successful big moving-picture theaters in New York—located in the Times Square section—was started by a man who had imagination, and who consequently revolutionized picture shows. He was the first moving-picture theater man to realize the possibilities of music in that type of show house.

"It isn't only that high-grade music pleased the audience," said this man. "It is reflected in the conduct of every employee about the place. Of course every one of them is drilled in courtesy, but I don't believe one of them could do an inconsiderate act after listening to our music. Sometimes I myself come in all wrought up over something that has gone wrong and I feel like clashing with everybody I meet. Then the orchestra strikes up and I unconsciously catch the sense of harmony. In a moment I am at peace with the world. Moreover, when people hear the kind of music we provide here, they are likely to feel that they are about to see something out of the ordinary. If we have a picture that is not quite satisfactory, I work all the harder on the music, and I know from investi-

gation that when the music is exceptionally good the audience thinks the picture is better than it really is."

Occasionally one finds a farmer with real imagination. I heard of one who desired to buy land for a little truck garden. There was plenty of good land to be had near the city where he expected to dispose of his stuff, but he bought a piece of sandy soil rather than the richer clay soil, which he could have had for a little more money. Every farmer for miles around deplored this fellow's stupidity and boneheadedness for trying to do truck gardening in ground that would give only half as large a crop as clay soil.

When summer came the man with the sandy soil always had vegetables about two weeks sooner than any of his neighbors, and sold them at fancy prices, because they were a comparative novelty and scarce. By the time the clay soil gave up its larger yield, the market was flooded, and it was difficult to dispose of all the stuff at any price.

Another imaginative farmer interested his neighbors in a proposition that everybody should paint all the farm buildings at the same season. As a result the locality looked so much more attractive than elsewhere that land values had a decided boost. The paint not only paid for itself in the good it did the buildings, but actually added about ten dollars an acre to the selling price of farms thereabouts. Buyers unconsciously assumed that the land must be better, or else the farmers would not feel

prosperous enough to make such lavish use of paint.

Nobody would buy a house just because it had a little cherry tree in the back yard. But a cherry tree might be sufficient decoy to get a purchaser interested. I knew of a case where there occurred that very thing. A man had a house for sale. He advertised it and people came to look, but there were so many other houses in the neighborhood almost like it that nobody bought.

One night he told a dinner guest about his difficulty. The guest chanced to be a person endowed with imagination—and consequently was able to stir imagination in others. He strolled about his friend's little yard, and noticed a poor little cherry tree not much larger than a green bay tree, such as one used to see out in front of the family entrance of a saloon. The tree gave him an idea. He framed up an advertisement in which he dwelt on the tree more than on the house itself. He urged people to live in the suburbs and pick cherries in the back yard. No other advertisement in the paper the day that appeared contained anything to make people think of the cherries they used to pick in their boyhood days, or of the cherry pies their mothers used to make. Several persons came to look at the house. And one man promptly bought it.

He did not buy it because of the cherry tree—which was not capable of producing the filling for more than one pie per season—but simply because

the mention of a cherry tree had set him thinking of the advantages of a little yard as compared with a mere balcony and a geranium plant out in front of a stuffy third-floor suite in an apartment house. When he looked at the property, he found the location, construction, and price to be all right, and the cherry tree was entirely lost sight of. Yet, except for the writer of the advertisement knowing that the cherry tree would stir somebody's imagination, the house might have remained unsold.

Then there is imagination of an entirely different sort. One day the manager of a certain retail business sent a bill to a man who for a year or two had failed to settle his account. The bill, as made out, was for $43.18. In a day or two the man owing the bill wrote a letter protesting against the amount. "All I owe," said he, "is $18. This bill for $43.18 is preposterous. I am willing to pay what I owe, but I'll never pay any more."

The man was right; eighteen dollars was all he owed. And the store manager knew it. But he had sent him statement after statement without getting any response. So he was obliged to use his imagination and take measures which would give the man a bit of a jolt.

CHAPTER XVII

TURNING IMAGINATION TO PROFIT

Two salesmen were trying to sell a certain manufacturer a lot of machinery. The one who finally sold him did so because he had the forethought to avoid talking to him about the transaction except when the calendar was exactly right. He made inquiries, and found that the man's concern followed a custom of paying all bills on the tenth of the month. It struck him that a business man is in no mood for spending money in large slices just after writing out checks for the monthly assortment of bills. So he made it a point to present his proposition just a few days before the tenth—when his prospect had about recovered from the pain of paying off the previous month's obligations. The man's bank account was then at its highest point. Consequently the idea of spending money for new equipment seemed less repugnant to him then than at any other time.

Nearly everybody is aware that most firms pay their bills on a certain day each month, but comparatively few salesmen think to make definite use of so simple a bit of knowledge. They lack imagination.

Everybody knows that there is a great psychological advantage in actually seeing or feeling a thing over merely knowing that it is there. For example, you wish to sell a man a piece of land on a paved road, or rather on a piece of road about to be paved. The contracts for the paving are all let, and the buyer knows they are let. He has not the slightest doubt that the road will be paved within a specified time; yet he will not pay nearly so much for the land as if he can go and see the work of paving the road actually going on.

It is the same way if you offer winter goods for sale during a warm spell. Buyers know it is certain to be cold again within a short time, and that they must have various articles; but they will buy much more readily, and pay more, if need be, when they can step out of the front door and feel the chill air.

A man was trying to sell a house on the east side of the city in which he lived. He had a prospect who was half inclined to buy but who held off because he was interested in a place on the west side. This east-side man had imagination. He picked up his prospect late one afternoon, in an automobile, and suggested a little pleasure ride over to the west side. They headed toward the setting sun, which shone annoyingly in their eyes. The possible house buyer complained of this.

"If you buy over here," said the other man, "you'll have the sun in your eyes every day when

driving home and again the next morning as you drive toward your office."

And in that way he sold the place on the east side.

Automobile salesmen long ago discovered that it is unwise to have any kind of tire trouble when showing a new car to a possible buyer. The trouble may be due to running over a nail and not to any fault of either the tire or the machine; but if there is a mishap the customer has his attention shifted from the joys of automobiling to its less pleasant side, and may lose interest.

A big bond-house had an issue of bonds running from two to ten years. Those which matured in two years sold so much more readily than those which ran for ten years that the concern saw it would soon have nothing left of the issue except the long-time bonds. One of the salesmen knew a good deal about human nature and he proposed that they should raise the price on the less desirable bonds. They offered these at a slightly increased cost, explaining that it was because the investment would be undisturbed for ten years. In that way they disposed of the less saleable bonds before the others.

Book agents of the good old-fashioned kind, who sell by house-to-house canvass, are obliged to apply a great deal of psychology to their daily work. Sometimes a woman tells the agent she will take a copy of his book, but is unwilling to sign the order blank. Without her signature the order is con-

sidered worthless. So the agent, as if absent-mindedly, while he goes on talking, makes a little trough of his order blank, places a pencil inside of it, and allows the pencil to slide down the trough into the woman's lap. For some reason, when one sees a pencil lying in one's lap it requires great will power not to pick it up. Once the woman has picked up the pencil, the agent places his order blank temptingly on the back of his little sample copy and holds it before her. Often she will go ahead then and write her name on the little old dotted line before she realizes what she is doing.

The manager of the toy department of a store thought of a way to increase his sales in the course of the long dull stretch lying between Christmas seasons. He went to the public-school records in his city and got the ages and dates of birth of all children young enough to be interested in any kind of toys. Then he prepared a form letter, which he sent to parents a few days before their little ones' birthday anniversaries, suggesting that the store had a great many toys that would make dandy birthday gifts.

Parents who had always assumed, with the utmost sang-froid, that the hairs of their heads were numbered and that not a sparrow falls unnoticed, nevertheless felt greatly flattered that a big, busy store should not allow their children's natal days to pass unobserved. They went and bought toys, if for no other reason than to be polite toward such a thoughtful store.

A man in a Western city conducted an obscure little shop, where he devoted himself to sharpening knives and razors. On account of the building in which he was located being torn down he was obliged to move, and he feared that in a new place his customers would never find him. The persons he particularly wished to reach were the barbers. So he tried the plan of hiring a man to poke his head into the doorway of practically every barber shop in town and inquire:

"Where has Smith, the razor sharpener, moved to—the one who used to be down in the Behemoth Building?"

Scarcely any barber was able to answer the question. Whereupon the inquirer, following instructions, asked:

"Wh-a-a-t! You don't know where he is? Why, he's the best razor sharpener in the country, but I don't live here and wasn't sure where to find him. I heard about him from a barber in Chicago. Seems to me he has moved to the Kendall Building; but I don't know where that is."

From then on after learning that there was in their midst a razor sharpener whose fame had spread clear to Chicago, every barber in town made it his business to know where that man was located.

The manager of a big office building has the entire front wall of his building washed once in a while to rid it of its grimy coat of soot. Being located in a manufacturing city the building is soon

as dark and dirty as ever. Yet the expensive scrubbing of the outside walls seems to pay, and to pay well. By giving the building a new appearance occasionally it is not only easier to keep it rented but to keep the rentals high. As a building gets to look old there is a tendency for the rentals to drop, for tenants like a place that looks new and clean and inviting.

Moreover, there is another psychologic advantage in the cleaning process aside from the after results.

The operation of scrubbing the outside of a big building is unusual enough to attract attention and cause talk. People who do not even know the name of a building soon learn it when they see a big force of workmen removing the soot.

Tenants are slower to move into a building that has not every evidence of prosperity. For this reason building managers dislike to have ground-floor rooms conspicuously vacant, and it is a common practice to let near-by stores use the show windows of such places free of charge until they are rented, rather than have their unoccupancy attract attention.

A man who has charge of the renting of a big apartment house instructs his janitors never to place a For Rent sign in the window of any suite on the top floor. This building has no elevator in it and the upper floors are hard to rent. So, when there is a vacancy, the janitor puts his sign in a hall window on the second floor, that floor being

considered the most desirable by the average flat renter. Then, when a possible tenant calls to look at the suite, the agent has an opportunity, by force of persuasion, to rent him the vacant apartment on the top floor. In making the tiresome journey there the agent pauses at each landing to discuss something about the arrangement of the building. In that way the caller gets a little breathing time and thinks he would not mind the long climb.

It is one of the selling rules of a successful big company, which operates stores in a number of cities, that clerks shall aim to wait on boys or children first, rather than grown-up customers. At first thought this might seem like a silly policy. But here is the idea: The company specializes in sporting and athletic goods, and if they can make friends of the boys in that town they are willing to take a chance on stirring the impatience of older folks.

You see, the boy who buys only an occasional cheap baseball to-day will be buying all sorts of expensive outfits two or three years from now. And the older person, as time goes on, buys less and less of this sort of goods.

It does not require much farsightedness to appreciate that the youngster is certain to be the main asset of a concern selling goods which appeal primarily to the young. But it did require some little imagination and cleverness to know how best to make friends of these youngsters with the minimum of effort.

A certain man uses his imagination in conducting a little haberdashery. His system is the same as that of the man who makes it a point to remember people's names, only he goes a step further: he remembers where his customers live! If you ever have anything delivered from this man's store he takes personal note of the name and address, and tries to associate them together in a way that will make them stick in his mind. He can't remember them all, of course; but he remembers enough to make the system valuable to him. Consider how flattered a customer must be when this man says to him, as he starts to write out the little delivery slip:

"Are you still living out on Rockinghorse Avenue? Let me see—your number is 1120, isn't it?"

There is an appealing friendliness about a comparative stranger knowing such intimate things right offhand. Few men could fail to be flattered by it. And naturally the more flattered the customer is the more likely he is to return to that store again. He may go there regularly thenceforth, even without realizing exactly why.

I heard of a drug-store man with imagination and ideas. His store was located in a small town on the Lincoln Highway, at a point where automobile tourists were likely to be confused about which direction to turn. So he put up a big sign proclaiming that he furnished reliable road information free to all comers. He not only gained a lot of

good will in that way but sold several thousand dollars' worth of articles to those who came in to ask about the roads.

A customer came into his store one day to exchange a tooth-brush. The truth was that the brush had not been bought in that store at all. And the proprietor knew it hadn't. But nevertheless he exchanged it without a word.

"I made a friend of the fellow," he remarked, "and also sold him two dollars' worth of other goods before he left the store."

Another customer, a brand-new one, it appeared, came in after a cigar, but the store did not carry the brand he liked. The proprietor asked him all about his cigar preferences, in a kindly manner, jotted down a memorandum of the matter, and promised to put in a supply of any brand he wished. One would have thought that store proprietor had no other mission in life than to see that the customer got exactly the kind of a smoke he desired. The proprietor was smart enough to know that nothing would so quickly make a friend of a smoker as to take his cigar tastes seriously.

CHAPTER XVIII

HANDLING PEOPLE AT HOTELS

MORE imagination is required in conducting a successful big hotel than in almost any other line of business. People seem to exhibit a greater variety of traits and characteristics at a hotel than elsewhere. In the first place, they desire to live better at a hotel, in many respects, and have more done for them, than they would at home. They realize that they are buying not only food and lodging, but service, and there is likely to be a variety of interpretations among guests as to what really good service is.

A man at a hotel alone does not behave like a man who is accompanied by his wife. The one with his wife along appears to be more complaining and more difficult to please. This is largely because the wife, being in the hotel more than her husband, in the course of the day, and knowing more about the little details of good housekeeping, may notice things that would escape her husband's attention. Then she tells him about them,—perhaps in an if-you're-a-real-man-you'll-have-this-remedied tone,—and he feels duty bound to go to the desk and enlighten the clerk about the inferi-

ority of the service. Furthermore, a woman is often more insistent than a man on getting one's money's worth.

Nearly all well-managed hotels at the present time make especial appeal to women; moreover, hotels have grown better and more homelike in proportion to the number of women guests attracted within their doors. And the hotel that attracts women is also fairly certain to attract men. If somebody could run a mammoth hotel for men only, and keep it filled to capacity, it should be the most profitable hostelry in the world, because men are about a hotel less than women and require much less waiting on, which means fewer employees. Yet how many successful large stag hotels have you ever heard of? When you see a stag hotel it is altogether likely to be rather small and unpretentious. The answer is that the average man, even though he has no notion of being in the company of any woman in particular, nevertheless prefers to be at a hotel where he sees women about him. Sometimes I am half inclined to think that perhaps there may be some actual attraction between the two standard sexes.

Most hotels follow the theory, first laid down and capitalized by the late George C. Boldt, that the guest is always right. Boldt would not even employ former salesmen in any position of consequence at his famous hotel. He confided to me one time that he was particularly averse to employing anyone who had ever been a life insurance

salesman. The reason for this was that, because a salesman is accustomed to try to force his own ideas and his own desires on others, he might be tempted to try the same thing on a hotel guest, whereas the guest is most content when he is doing what he himself prefers. Everybody has had the annoying experience of dealing with a waiter who is too insistent on selling the customer what *he* thinks the customer should eat. A hotel is really no place for the old-fashioned kind of salesmanship consisting of the ability to convert a customer to the salesman's point of view. If a guest does not like his room it is poor salesmanship to try to convince him that he *should* like it. The only wise plan is to agree immediately—with the utmost cheerfulness—that he ought to have a different room, and hasten to get it for him.

Another thing that Boldt insisted on in his employees was the quality of being observant. When about to hire a man even for an unimportant position Boldt was not unlikely to send him on some errand to another part of the hotel, in order to see if he had this qualification. By the time the man had walked twenty feet, Boldt ordinarily could tell. If the man walked with his eyes straight ahead, paying no attention to anything about him, Boldt decided that he was not observant. When in doubt, Boldt would ask the applicant, casually, about things he passed while on his errand. Did he see the woman in the velvet dress wearing the blue hat? And was there a folded

newspaper lying on the floor near the lounge? If the man had been conspicuously unobservant Boldt would not hire him.

When a certain large hotel was opened in New York a few years ago, the manager appreciated that merely to provide excellent service would not be sufficient inducement to attract the guest in the habit of going to some other hotel which also offered excellent service. All other things being equal, a man would rather go to the hotel where habit has made him feel most at home—where everything looks familiar. The only trouble with perfect service is that it attracts no attention. When a man is satisfied with a thing he gives little thought to it one way or the other—just as a man never appreciates what a good little stomach he has when it is working perfectly. Similarly, he accepts an immaculate hotel room and good food as a matter of course, and the service makes no impression on him; but a lack of clean towels or failure to receive a telephone message cuts a little notch in his memory. So, decided this wise manager, the only way to impress on a guest that he is being well looked after is to give him super-service; that is, excellent service rendered in such a way that it will stir a man's imagination.

For instance, a guest at this particular hotel orders food brought to his room. When the tray comes it probably has on it not only the food but a rosebud in a little vase. No matter whether he cares for flowers or not, the guest recognizes that

it was thoughtful and clever of the management to send him that nice little rosebud. He thinks that is good service. Then it suddenly flashes upon him: "Why, the service here is *all* good—remarkably good!" He remembers little items of high-grade service which he had previously accepted as a mere matter of routine. You see, his imagination has been awakened.

The manager of a string of several famous hotels hit on the plan of placing a newspaper at the door of each guest-room in the morning. The cost of papers to the hotel is trifling, but each guest is saved calling on the telephone for the paper to be sent to him, and he is saved also the strain on his temper of having to give a bellboy ten cents for bringing him a paper worth only two cents. He feels so kindly toward the management for putting that paper at his door that he doubtless might be willing to overlook some item of inferior service if, by chance, any should occur.

When this manager took charge of a great New York hotel, he tried another innovation. Instead of charging three cents for a two-cent newspaper at the hotel news stand in the lobby, he charged only two cents—the price fixed by the publishers. Think of the ill will hotel managers in New York and elsewhere have stirred up by adding that extra penny to the price of a newspaper! The profit derived in this manner is small at best, and the resentment it stirs in many guests must cost hotels thousands upon thousands of dollars. How short-

sighted then must be the average hotel man in refusing to buy good will when he can have it for one penny!

When a guest remains a week or longer at one famous hotel, he finds in his room a bouquet of flowers or a box of candy. This little present doesn't amount to much in itself but serves to make the guest feel as if he had become an old and valued friend—as if he were now one of the inner circle. When he comes to town again he has a sort of homey feeling toward the place where the manager sent flowers to his room. Such courtesies cost little, but they are the mortar between the bricks in the solid wall of good will.

This same hotel also has its clerks instructed to send flowers to the room of any couple who are on their honeymoon. If in doubt—but an experienced hotel clerk rarely guesses wrong on such a matter—he sends the flowers anyhow. Naturally there is nothing in the whole big wide world so noteworthy to a honeymoon couple as their recent marriage. To have a hotel manager recognize the importance of the event by sending flowers convinces them that he must be an extraordinarily wise and capable hotel man, and that they have come to the right place. So far as they are concerned, they trust that their children and their children's children will stop at that same hotel.

Here is still another way in which a hotel man made capital of his knowledge of every-day human psychology. In each room he has a little pad of

paper on which is printed a request that guests jot down any criticisms of the service. That seems like a simple, inconsequential item of hotel management, but here is what happens: A guest has a real or an imaginary grievance. He goes to the little pad and writes it down. Having written it, he finds that most of the feeling of dissatisfaction is out of his system. Frequently he tears up the slip of paper, because the complaint looks trivial in black and white, and writes down instead something in the way of praise for the service—something that he would never have thought of except for the little complaint-pad being there on his table. If the dissatisfaction is justified, the trouble is remedied—which not only gains the favor of the one making the complaint but of other guests who might come and be annoyed later on over the same thing.

I once overheard a hotel proprietor calling a recent guest over the long-distance telephone to tell him of a message that had come after his departure. And the hotel man did not even order the charges reversed. I asked the man if it was not unusual for a hotel to extend such a favor at its own expense.

"Perhaps it is," he replied, "but wouldn't you do it for a man who had been a guest in your home? Then why shouldn't we do it all the more readily for a guest who pays us money?"

This same man also expressed this view: "I think the greatest mistake that is commonly made

by many hotel people, both employees and managers, is to exert themselves more for the comfort of an old-time guest than for a new one. According to all rules of hospitality and logic, the person who should receive the most effort for his entertainment within one's doors is the newcomer.

"In your own home you would not think of making a great fuss over a man who had been entertained there before, and more or less ignore another fellow who is receiving your hospitality for the first time. The one who has frequently been beneath your roof is naturally more or less at home, but the newcomer feels strange and ill at ease. He is in need of the little attentions which make him glad he came and give him the desire to return. There is no reason why this common-sense rule would not apply just as much in a hotel."

A number of young women employees from a near-by business institution were in the habit of dropping in at a famous little Fifth Avenue hotel for luncheon. It never occurred to them that their modest trade would attract the attention of the manager. But one day he graciously asked them if it would be agreeable for him to give them a little dinner as a slight token of his appreciation of their continued patronage. The cost of the dinner was comparatively little to the management, but those young women will probably talk about it and send friends to that hotel as long as they live. On the other hand, the type of guest who is in the habit of buying expensive dinners would probably think

little of having a dinner given for him. He would be more accustomed to such things. The hotel manager was clever enough to know this. His dinner to those working girls was better business than giving a dinner to as many multi-millionaires.

The hotel man who ignores the caprices of human nature runs the risk of finding himself away out on a limb. Once while staying at one of the smaller New York hotels, the young woman with whom I was sharing a room—my wife—chanced to peek out of a window, and saw a lot of harmless rubbish—paper sacks, an old collar, and such things—lying on top of a skylight at the bottom of a court. From that time on she would not eat anything in the dining room of that hotel, and she left sooner than she had intended rather than stay there.

Her contention was that, though the bits of rubbish did no harm, they showed a tendency on the part of the management to be careless about dirt, so long as it was in a place not easily seen. Following this argument to its logical conclusion she was certain that the kitchen was dirty and that food from there was not fit for human consumption. The truth was, as I later learned, that the kitchen was immaculate. It was, for the most part, a well-conducted hotel. The trouble was that the manager lacked imagination. He could not see the harm that might come from a few paper sacks lying at the bottom of a court.

One of the most frequent whims of a hotel guest

is the desire for a certain room, the identical room he had before. Even seasoned travelers forget that it is impossible to hold some particular room ever in readiness for the possibility of their coming. In order to meet this demand, in so far as possible, smart hotel men find it advisable to have many rooms exactly alike in size and arrangements—so that a guest in one room cannot make comparisons with the one he had the time before, and feel discontented.

It isn't that one room is better than another. The whole thing is psychological. A guest comes to town and has a pleasant or profitable stay, and he looks back on that trip with such satisfaction that when he returns he wants everything exactly as it was then—even to his immediate surroundings.

CHAPTER XIX

CAPITALIZING COURTESY

As I strolled along Fifth Avenue, in New York, one afternoon, I remembered that I needed a collar—just a simple little soft turnover collar.

I caracoled into the nearest haberdashery and frankly told a young clerk what I had come for. He seized a little box off a shelf, and deftly drew a collar from a cute little tissue-paper envelope, while quietly humming a simple tune.

"That's the very latest thing," he sighed, at the same time significantly tapping with his index finger the collar that he himself wore. There was no denying that the two collars were of the same identical pattern.

I was really rather captivated by the collar and inquired the price.

"Those are a dollar each," the young man replied, as he suppressed a yawn.

Now, as a matter of fact, I never pay one dollar for a collar. So I freely admitted to the salesman that I was seeking merely a twenty-five cent collar, and was unwilling to pay a dollar, even though the collar he had just showed me did, indeed, make him look very neat and attractive.

At the mere mention of the words twenty-five cents, the clerk looked deeply vexed.

"Ah," said he, with a smile of mingled pity and amusement, "we have no such collars as that. We don't *touch* them." And he made a deprecating gesture with his left hand, palm outward, as if the very thought of such a collar was repellent to his sensitive nature.

"You won't find any cheap collars on Fifth Avenue," he added, busying himself putting away his stock, as if the incident were closed. I gathered from what he said that I might just as well try to find the mythical pot of gold at the end of the rainbow, or try to solve the problem of how to eat one's cake and have it. If that clerk should ever find out that I did succeed in buying a first-rate, wearable collar for twenty-five cents, only three or four doors away on Fifth Avenue, I imagine it would spoil his day.

In the second store I tried, the clerk told me they had no soft collars for less than seventy-five cents, but instead of seeming irritated that a customer should appear in quest of a less expensive collar, he was apologetic.

"We have a great many customers who are heavily infested with money," he explained, in a friendly, confidential tone, "and they think unless a thing is priced at an absurd figure it can't be any account. You can get just as good a collar as any white man needs, for a lot less money."

You may think that this second clerk went

almost too far in taking the customer's point of view, but I contend that he was an unusually efficient salesman—efficient because he was courteous. Just because he had the politeness to shift his mood to fit mine, I was half tempted to buy one of his costly collars, after all. If I ever *should* decide to pay more than a quarter for a collar, I have an idea I would rather squander my money with this second clerk than with the first one. He applied the same rule of courtesy that governs the dinner host who will not wear evening dress if he thinks one of his guests will be less properly garbed. If one should place his guest at his ease, a guest who merely comes to eat food, why should one not go even farther—looking at the thing from a purely business viewpoint—to place at ease the man who enters one's store for the purpose of spending his money?

Strange to say, genuine courtesy, taking it as a general proposition, is a comparatively new thing in business. It has been only a few years since business men stumbled upon the discovery that customers are more likely to return after a slap on the back than after a kick in the stomach.

Take for example the railroads. The famous "public be damned!" policy governed railroads for a great many years, and a large ratio, if not a majority, of those railroad employees who dealt directly with the public were a crusty lot. They were never told, or given the slightest incentive, to be otherwise. The consequence was that dis-

courtesy has cost railroads in this country millions of dollars.

The woman who made an occasional railroad journey did not know the president of the road and had no way of ascertaining whether or not his personal policy was one of courtesy. Her only knowledge of railroad people was gained from her dealings with the ticket agent, conductor, brakeman, or baggageman. When they failed to treat her politely she resented it and began to hate all railroad men, including the higher officials and the stockholders. She taught her children to do likewise. When they grew up and found an opportunity to give a wallop to a big railroad corporation they delighted in it.

It was years before the railroads realized what a vast annual sum of money they were paying for the discourtesy of their employees. When they did finally awaken, however, they had the good sense to start a campaign of education among the employees by means of straight advertising methods. They printed and distributed courtesy literature and carried on such a vigorous courtesy propaganda that the employees were gradually converted—just as they might have been won over, by the appeal of effective advertising, to a new kind of political viewpoint, or to a different brand of suspenders. To-day the average railroad employee is reasonably courteous.

The New York, New Haven & Hartford Railroad, once noted for its wrecks, and looked upon

as the final word in disregard for public opinion, under a newer management made an elaborate campaign for gaining esteem. In one of the circulars distributed to its employees, the company says: "Good service depends upon good will given and good will received." In another is an order that "Employees must not enter into any dispute with passengers, no matter what provocation may be given."

The Père Marquette road tells its employees: "In many cases the local agent of the company is the sole representative in the town where he is located. The estimate put on this man by his fellow citizens must be the measure of the company's popularity or unpopularity."

Not so long ago an employee of a Southern railroad insulted a colored woman at the union station in Memphis. She was only a poor woman, but the jury took the view that she had feelings, and had suffered enough humiliation to warrant taking balm of three thousand dollars from the railroad. No such verdict would have been awarded, however, if the members of the jury, too, had not at some time had experiences which made them more or less resentful toward railroads in general.

No one knows how long the enactment of provisions for a parcel post in this country might have been delayed—to the great advantage of the express companies—except for the fact that the express companies had for years exhibited a gross

indifference to the rules of business courtesy. Anybody who ever lost an express package in the old days and suffered the well-nigh interminable delays incident to getting proper redress can readily testify to this. The express companies themselves forced the demand for a parcel post.

I used to notice this: If you went into the average express office, wrapped up a book for shipment right before the eyes of an employee—so that he must have known the article was a book, and not canned goods or some other commodity—and asked him for the rate, he would give you the rate on ordinary merchandise, which in most cases was higher than the book rate. If you then asked, "Is that the book rate?" he would say, "Oh, you want the book rate?"

Unless you knew to ask definitely for the book rate, you might pay a higher charge for shipment, even though the clerk knew it was a book you were sending, and that you were entitled to the special rate provided for such articles.

Obviously, there is no limit to the harm that may be done by even so slight a discourtesy as mere inattention on the part of an employee. I heard an angry woman notifying the floorwalker in a big department store that she had waited three or four minutes to be served, and a girl, though not busy, had failed to notice her.

The floorwalker was unable to pacify the customer, and she never went to that store again.

Before that her trade had amounted to more than one thousand dollars a year.

I know of a department store that is believed to be financially on the ragged edge though it was once about the most prosperous institution of its kind in the city where it is located. And I believe I could put my finger right on the main contributing cause of its loss of popularity. It has just as good a line of merchandise as could be found anywhere, and the prices are reasonable. But if you buy a rug, a chair, or an alarm clock at that store, and after taking it home decide that you wish to exchange it, you will meet an atmosphere of deep gloom on the part of those store employees who participate in the transaction. Mr. So-and-so has to go and see Mr. Somebody-else before the charge for the returned goods is taken off the books. Everybody examines the goods very critically, as if to say, "I don't know about this."

The customer says to himself, "I hope I don't have to go through all this monkey-business soon again."

Other big stores in the same city are just as careful about making sure that things returned are in good condition, but they do it in a hail-fellow, offhand way that makes the customer feel as if he is causing nobody any trouble whatsoever.

Years ago the big telephone companies replaced the unconventional "Hello" of the central operator with the more polite phrase, "Number please." More recently they discovered that the

word "please" repeated several million times a year delayed messages and really cost a lot of money. So operators now inquire merely, "Number?" But they are under rigid instructions to say the word with a rising inflection on the second syllable, which gives a cheerful, chipper sound to the inquiry, whereas the word with a falling inflection at the last makes it sound as if the operator is somewhat bored with her job, if not actually dissatisfied with world conditions generally. Moreover, the big telephone companies, in hiring a girl, do not consider the beauty of her face or figure, as most of us would if engaging a stenographer, but insist that she must have a pretty voice.

A big retail concern with more than one thousand stores over the country insists upon its salesmen acknowledging every purchase, no matter how small, with a "Thank you. Come again," or something like that. No matter what a customer does, this company insists that he must not be insulted. He must never leave one of their stores with the lightest feeling of resentfulness, even though he himself may have been at fault. For example, salesmen have special instructions in case of receiving counterfeit money. If a customer presents a lead quarter, the salesman must not chide him for doing so, but must offer sympathy, telling him that there is a lot of counterfeit money in circulation lately and that he evidently has been imposed upon by somebody. The theory is that it is better to let a guilty counterfeiter escape than to

take a chance on making an enemy of an innocent customer.

It is doubtful if any line of business offers so many opportunities for turning courtesy to profit as the hotel business. One of the first men to realize this fact and apply it on a big scale was the late George C. Boldt. At his death, Boldt was regarded as the greatest hotel man of his time. And he believed that by far the greatest single factor in his success had been his policy of never-failing courtesy.

"Courtesy is the cheapest thing in the world if you provide it yourself," Boldt used to say, "but it is the most expensive thing if you try to buy it."

Boldt entered the hotel business as a 'bus boy and later on was manager of a little hotel in Philadelphia called the Bellevue. A number of New York people got into the habit of going to that hotel occasionally when they wished to obtain quiet and rest. One of these New York customers wrote a letter to Boldt one day, somewhat as follows:

My wife is in an extremely nervous condition and must get away at once from everything suggestive of her household cares. She doesn't want to go anywhere but to your hotel, and will have nothing but the room she has occupied heretofore. That will not give her the change of scene that she needs, but I guess it will have to do. We arrive to-morrow afternoon.

When they arrived, the guests found that Boldt had done a lot to that room in twenty-four hours.

It was repapered and repainted, had new chandeliers, new carpet, and different furniture. Everything about the room that it was possible to change had been changed—all within one day. Such transactions as that gradually gave Boldt a reputation as one who would go a long way to accommodate a guest. The story has been told that one night, when all the hotels in Philadelphia were crowded and it was almost impossible to obtain a room, a man and his wife drove up to Boldt's hotel and asked, in a tone of despair, if he could not give them a place to sleep.

"Yes," Boldt told them, "you can take my room—that's all I have."

The next morning, according to the story, the guest told Boldt that a manager with his sense of courtesy would be an assured success in a much larger hotel.

"And," added the guest. "I'm willing to provide you with the hotel."

That same guest later invested many millions of dollars in hotels under Boldt's direction. For the guest was William Waldorf Astor.

Boldt's strict rule, that the guest is always right, is the rule in most good hotels to-day. For example, let us suppose a guest tastes an order of fish and tells the waiter it isn't good. The waiter is absolutely certain the fish is really all right, but under no circumstances must he ask, "What is wrong with it?"

He must whisk it away and inquire, "What shall I bring you in place of it, sir?"

Boldt had brought to his desk each day a list of all guests who were ill. If the illness was of any consequence—enough to keep the guest bedfast for more than a day—Boldt was quite likely to go to the room and make personal inquiry about the guest's progress toward recovery. If it was a woman he usually sent a bouquet of flowers.

I once heard Boldt talking to a middle-aged woman who had been at his hotel before and with whom he had a slight personal acquaintance. He inquired how she liked her room.

"All right," she told him, "but I've never got a room with such a comfortable chair as a little rocker I had the last time I was here—about a year ago."

Within thirty minutes Boldt had found what room the woman occupied on her previous visit, what furniture was in it, and had placed the same little rocking chair at her disposal.

In one of the first-class small hotels in New York, where the trade is of a less transient nature than at most of the larger places, all bell-boys, elevator boys, and the head waiter are required to know each guest by name, if the guest remains longer than a day. It is a small courtesy, but extremely flattering to the guest. He feels as if he must be a person of no inconsiderable importance. At another hotel, scarcely a block away, if you order breakfast sent to your room, there will

invariably be no water on the tray. When you ask for water it is brought not by the waiter who carried in the breakfast, but by a bell boy. Hence you must tip the waiter and also the bell boy. It is an arrangement among the employees which the management seems to wink at, and which comprises a discourtesy to which guests are *not* entitled.

As an example of the difference in hotels, I must cite the experience of William L. Ross, a bond man, of Chicago. Within the same month, Ross made two trips to New York. He went to two different hotels, each having the same scales of prices, equal quality of food, and, to all appearances, one just as good as the other. While at the first hotel Ross received a call from a man with whom he had important business. He was in his room at the time, but in some way the telephone operator failed to call the right number, reported that there was no answer, and Ross failed to see his man—with the result that he nearly missed making a deal involving thousands of dollars.

On the next trip he went to the other hotel. The clerks there had never seen him before and did not know his line of business. Not long after his arrival, a number of telegrams came for him, and five or six letters. The hours went by, and Ross did not come in to claim his telegrams. It occurred to the clerk—a super-clerk he must have been—that Ross should see those telegrams. They might be of the utmost importance. The letterheads on two or three envelopes indicated

that Ross must be engaged in the bond business. So the clerk put in telephone calls of inquiry at various places in the financial district on the chance of getting track of Ross. And it so happened that he found him.

Ross has never got over being impressed with that, and, as he is a rather gifted talker, it would be difficult to estimate how much good he has done that hotel through conversational advertising. It was a striking example of courteous efficiency and efficient courtesy.

On the other hand, I recall an experience at a hotel in Toledo. One morning, while a guest there, I asked the porter to find out if a certain train I wished to take was on time. The porter called up somebody and told me the train was two hours late. So I laid plans accordingly and idled away an hour listening to the conversation of a newspaperman named Patterson. Then I went back to the hotel, asked again about the train, and the porter told me it had gone—gone out only five minutes late. I went at once to the manager's office in a high state of vexation. He smilingly explained to me that they often got train reports from irresponsible persons at the station, but as the hotel made no charge for giving out the information—doing it simply for accommodation—they could not be responsible for errors. And he went ahead opening his mail. So far as he was concerned the incident was closed. He felt conscience-clear in the matter and was per-

fectly willing to dismiss the affair with a wave of the hand.

I submit that this man, because of his lack of imagination, will never be a really successful hotel manager. He should have seen at once that nothing would so irritate a guest as getting information from a hotel that would lead to his missing a train and perhaps losing a day's time. That sort of thing, if it happened often enough, would make so many people disgruntled toward the hotel that it might go on the rocks.

Either a hotel management should spare no effort to make sure that such information is accurate and dependable, or else it should refuse to give out any facts about trains at all, and thus avoid being a party to a thing which may so seriously discommode a guest. The hotel manager's weakness as an executive was proved not so much by the fact that faulty service occurred, as by the fact that he didn't immediately regard it as inexcusable.

In contrast to the hotel man's attitude was that of a drug clerk I met only a day or two later. I went into the drug store for the purpose of buying a postage stamp—just a modest little one-cent stamp. The clerk took my nickel, got four cents in change, and said "Thank you," with as much genuine courtesy as if the sale had netted a thousand dollars' profit. Before leaving the store I got into conversation with the proprietor, and he explained to me that showing such courtesy over

the sale of a stamp did not merely happen. It was part of their system.

"The only reason we sell stamps at all," said he, "is to accommodate those who come in here—to make them want to come again. So long as we are going to accommodate them, why not please them just as much as we can and make friends of them? It would be silly, wouldn't it, to set out to accommodate somebody and do it so discourteously as to insult him? Yet I have seen drug-store clerks sell stamps in such sneering fashion that the buyer would be foolish ever to enter the store again."

In my native town is a grocer whose hobby is to be accommodating. One afternoon a woman telephoned a hurry order for some articles that she wanted delivered immediately, as she was giving a party. She chanced to mention what trouble she was having trying to get some rich Jersey cream, which she greatly desired. The grocer did not sell cream, but he dispatched his own automobile to a farm three or four miles away and got a quart of the best cream to be had in the county. In less than an hour he had delivered it to the gratified woman. The profit on it did not pay for the gasoline used in bringing it in, but he made not only a lifelong customer but also an enthusiastic lifelong rooter. He has been doing that sort of thing so long that the town is thick with women who, when they foregather, like to talk in excited tones about what a lovely person Henry Fetz is to

deal with. Such talk is the best advertising he could buy. And it doesn't cost him much beyond a little quiet use of his thought apparatus.

Various public service corporations such as gas and electric light companies used to ignore complaints or else regard them in a "what are you going to do about it" attitude. To-day every such concern has at least one man on its staff who draws his salary because of his ability to control his temper and maintain a calm unruffled poise in the face of insults. He goes to persons who make complaints or are mad at his company, and attempts to educate them to the company's viewpoint.

This plan seems to discourage complaints for more reasons than one. For example: I am obliged to live part of each year in an Eastern city where rates for electric light seem preposterously high. Just as a matter of form I used to write a letter about once a season telling the company frankly what I thought of it and its light rates. Every time I wrote such a letter, the company sent to me, more in sadness than anger, a young man with whom time seemed to be no object. He would sit in my office for an indefinite period telling me at great length, in the most courteous manner imaginable, why it was necessary for his concern to charge more than I thought reasonable. After three experiences of this sort I ceased to write letters of protest to the company. Their polite young man had conquered me. I did not wish to take a chance on having to hear his long story all over

again. So I pay my light bills now with every outward appearance of cheerful resignation.

Another company I know of has a habit of asking when anyone comes into the office with a complaint, "Would you like to see the general manager?"

It is surprising what a lot of people will then minimize their complaint. The moment the company regards it seriously—seriously enough to have it taken up not by a subordinate but by the general manager himself—the disgruntled customer has a tendency to feel that the complaint isn't so important after all.

One does not have to look back many years to recall the days when letters directing attention to accounts overdue were sharp and to the point. Today such letters usually begin something like this:

"This account has doubtless escaped your attention"—and so on.

A big firm which employs a great many collectors makes it a practice to inquire of these collectors every day:

"How many new friends have you made for us?"—placing more importance on this than the number of accounts squared up.

Even in the matter of the treatment accorded the caller who stays too long in one's private office, the last few years have seen a great change. The old way was to begin to fumble with the papers on one's desk and look extremely bored, as a signal for the visitor to go.

Now the smart business man who knows the value of making friends of everybody and offending no one, presses an invisible button for a stenographer or clerk who comes to the door and says:

"I beg your pardon, Mr. van Doe, but are you forgetting that committee meeting at ten o'clock?"

The visitor then goes away with the feeling that he would have been welcome to tarry a great deal longer except for unforeseen circumstances beyond the other man's control.

So it goes. It probably is not overstating to say that the time is coming when practically every business representative in the land will extend courteous treatment—with the possible exception of ticket sellers in the theater box offices. They, for some reason, seem reluctant to fall into line. Go into almost any theater where the attraction is a big hit and the house is selling out at each performance and note the irritating air of cockiness with which the man tells you that there are no seats to be had.

The box office man has not yet learned that it is human nature to resent stereotyped phrases. Let a woman go up to a box office and inquire if there are any seats left for one dollar and a half, and instead of saying simply "No," and looking her in the face when he says it, or, "No, nothing under two dollars," he replies, importantly, while

busying himself with a hangnail: "Two dollars and two and a half."

The distinction is slight, of course, but it is the ability to give the delicate shadings just right that makes the artist.

CHAPTER XX

HONESTY IN THE AVERAGE MAN

ONE of the best ways to keep the average man honest is to make it either needless or impossible —or both needless and impossible—for him to be dishonest.

The big surety corporations, which make a business of gambling—in a sense—on men's integrity, find that honesty is much less a matter of pedigree than of environment, less due to temperament than to temptation. In other words there is a definite relation between dishonesty and temptation and necessity. A certain number of average men in a thousand, if they need money urgently enough, and the temptation is inviting enough, will prove to be dishonest.

A certain big wholesale concern had in its employ a young clerk whose duties included going to the bank at the close of each day's business and depositing large sums of money. The young man received only eighteen dollars a week. Time went on and he got married; but he received only eighteen dollars a week even then. He required more money. His salary was not proportionate to the responsibility his employers placed upon him.

Moreover, they did not audit his books for months at a time. Thus, he found himself ensnared, through no fault of his own, in three of the chief factors which make for dishonesty—need of money, constant temptation, and opportunity to take money without immediate danger of being caught. And one day he found himself in serious trouble.

The manager of a big trust company's safety deposit vaults robbed a famous rich woman in New York of $65,000 worth of jewelry. He was forty-two years old, had a wife and two children to support, and held a position which carried with it a good deal of responsibility. Yet his salary was only $33.50 a week.

One of the women guests at a fashionable house party in an eastern city, left lying carelessly exposed on her dressing table a lot of expensive jewelry—partly, I believe, because it tickled her vanity to exhibit a so-called rich and careless attitude toward costly articles. Her husband chided her for leaving her jewelry out where it would be a temptation to maid-servants, but she paid no heed. And a servant girl took a pearl necklace worth three thousand dollars. After the necklace was recovered, the owner forgave the girl, but the girl never forgave the society woman for placing temptation in her way. The jewelry lay before her just at a time when she was in sore need of money. She had never stolen before and probably never will again; but all her life she will be obliged to live with herself, knowing that there is a blot on

© *American Magazine*

Dishonesty often is due less to temperament than to temptation

her character. From her point of view she has a greater grievance than the woman she robbed.

Surety companies are to-day making men more honest, first by insisting on restrictions which will make dishonesty difficult, and also by impressing employees with the futility of trying to escape punishment for wrongdoing. An individual may forgive an erring employee, but the system of the surety company includes tracking him relentlessly, around the world if need be, until he is brought to justice.

In the old days, when a man entering a place of responsibility required a bond, he went to a friend and persuaded him to sign it. Nobody likes to sign such a bond; but it is embarrassing to tell an old friend that you fear he may some day take a sudden notion to steal. Yet a year or so later the obliging bondsman may face the necessity of making good a defalcation. And nothing is much more annoying than to glance up from one's breakfast food at the morning paper to learn that a man whose bond you have signed has gone wrong.

The surety companies now relieve individuals of embarrassing bond-signing and protect employers against loss through dishonesty of employees in much the same manner that insurance companies guarantee persons against loss by fire.

Obviously, the surety companies must make their work profitable to themselves. They must take in more money in premiums than they pay out in losses. In other words, they must be able to

tell in advance that the majority of persons they bond will remain honest. And how is that to be done? How is one to tell an honest man? What are the advance clues to possible dishonesty? If every employer and every person dealing with human beings knew these things it might be a great help.

Certain conditions have such a strong tendency tb make for a record of honesty that a surety company is willing to go just by what they can read about a man on the little dotted lines on an application blank. They rarely see the man for whom they provide a bond. They do not know what he looks like. If his record on paper is all right they take a chance on him.

A great many persons have an idea that dishonesty is more or less hereditary, that some men are born thieves. The surety companies pay no heed to any such theory as this. They do not even ask in their list of questions if an applicant's father or mother ever chanced to fall into the hands of the police. If a man's personal record is satisfactory, having had a few burglar forbears in the family tree seems to be of scant consequence.

In brief, if a man has been honest for the last ten years, is known to be living within his means, and is engaged in work that does not offer too many temptations and encouragements to dishonesty, he will usually continue to be trustworthy.

The man who changes his job too frequently bears

investigation. Perhaps he changed because he kept outgrowing his position and getting something better each time. But, on the other hand, he may have changed for some distinctly other reason, which one is entitled to know before trusting him too far. A surety company usually has an applicant give a list of all employments for several years previous. If he has been in business for himself part of that time he is asked to give the dates and places, and these are carefully verified. In case the dates do not all check up properly and there appears to be a dark period or episode that the applicant is trying to cover up, this detail is, of course, looked into.

Where there is no gap in a man's list of employments, that is, no period of his life when he was not following some occupation and giving satisfactory service, he is probably a reasonably good risk.

One surety man told me that if he were permitted to ask an applicant only one question, it would be to give a list of all places of employment for ten years back. If the man has done nothing criminal in that time, but is nevertheless ashamed of something, and omits or tries to hide the facts, his record when checked up will reveal that he has not been frank. And the man too conspicuously lacking in frankness is, usually, not above suspicion.

Certain questions, which seem rather trivial, are really of major importance in trying to determine the probability of a man's remaining honest. One

question which is usually asked is the number and relationship of persons that the man entirely supports. An unmarried man, while requiring less money, is a much more hazardous risk than a man with family ties. Not only is a married man less likely to fall into mischief, but he does not wish to do anything which might bring disgrace upon his wife. If he has both wife and children, this is even more true. It is an unconscionable man, indeed, who does not shrink from the idea of having his children gibed and twitted about the fact that he is their father. But if a man has more children than he can properly support on his salary, he faces a constant need for more money, and this need may lead him into devious paths.

When a man has an actual legitimate need for more money with which to provide the ordinary comforts of life for those near and dear to him, and if he believes he is underpaid by his employer, he may find a way to square things with his conscience for helping himself to whatever he thinks he ought to have. He is really a dangerous man to have around.

There was a case in New York a while ago in which a young man was so brazenly frank in his attitude regarding his appropriation of funds, that he not only succeeded in keeping all the money he had stolen but escaped all chance of punishment and compelled his employer to make up the shortage out of his own private funds. Here is the story:

A big concern had a bookkeeper who was obliged to work long hours at low wages. This bookkeeper was bonded by a big surety company for five thousand dollars. One day the man's employer came to the office of the head of the surety company, and told him that the bookkeeper had taken three thousand dollars of the firm's money. He wished to be reimbursed under the man's bond. The official gave him blanks to fill out at his leisure, with the request to itemize the amounts stolen, with the dates, and promised to arrange for a quick settlement. The next morning the bookkeeper himself appeared at the surety company's office. He was a neatly dressed young man with a rather agreeable personality, and perfectly at ease.

"You won't have much respect for me," he told the official, "because I have played my employer a low-down trick. I did it willfully and maliciously. I am a dishonest man. But for years I have had to work from early morn until seven at night for less than I am worth. The amount I have taken just about makes up what I should have had in salary for the last ten years. What I came to tell you, though, is this: You're not going to lose any money on my account. You won't need to pay anything on my bond. I'll see to that. Just have my employer make out the papers asking for reimbursement on my bond, and then send for me. I'll guarantee you that you will not lose a cent."

The official had a sense of humor and the situ-

ation appealed to him. He grew interested in seeing it through.

After the employer had signed the form in which he had itemized the bookkeeper's shortages, the bookkeeper again came on the scene and explained that the money he had taken did not belong to the firm which had bonded him at all, but was taken from the funds of a church of which his employer was treasurer. He had become disgruntled over having to work after hours on the books of this church fund without extra compensation, and decided to use part of the pew rent for his own purposes. The bond covered the young man's position as bookkeeper, and not as acting treasurer of the church. So the bookkeeper went to his employer and told him:

"If you attempt to collect that money from the surety company, or to have me arrested, I shall have you arrested for trying to rob the surety people. And unless you make good the shortage to the church, I'll report the whole thing to the church trustees."

And the employer was obliged to do just that.

The employee's attitude was, of course, not commendable. But the point is that he was underpaid, and had come to a state of mind where he thought his act was justifiable. A man in that position is not a good risk.

It is for this reason that a surety company is inclined to ask more questions of an employer than of the employee to be bonded. Here are a

few of the most important questions they put to the employer:

What salary will the applicant receive?

How much cash, if any, will he have in his custody at any one time?

If required to make deposits at the bank, how often?

Will he be authorized to sign checks?

To whom and how frequently will he account for his handling of funds, stock, or securities?

What means will you use to ascertain whether his accounts are correct?

How frequently will they be examined?

What will be the title of the applicant's position?

The whole plan, you see, is to learn if the man is going to receive a salary proportionate to his responsibility, and if there are sufficient checks on him to discourage him from being dishonest, even if he were otherwise disposed to be.

The last question at first glance seems needless. What does it matter, you ask, what a man's title is, so long as he is performing a certain kind of work? But here is what sometimes happens: A concern will have an underpaid employee and will seek to satisfy him largely by giving him a pretentious title rather than by paying him more money.

For instance, I knew a man once who was working as bookkeeper for twenty dollars a week. One day his company conferred upon him the title of auditor and raised his pay to twenty-two dollars

a week. His duties remained precisely the same. He went home and told his wife that he had become general auditor for his company. The thing sounded so important that she scarcely waited to do up her breakfast dishes the next morning before setting out for the marts to buy a new set of furs. It seemed as if they both, from then on, were intent upon raising their scale of living to correspond with the dignity of his new title. And, naturally, they had much more financial difficulty than ever before.

Experience has furnished conclusive proof that, in the long run, men who steal large amounts of money—amounts far in excess of that needed for necessities—do so because of their desire to impress themselves favorably upon one or more members of the well-known fair sex. However, it is rather rare for a man to go wrong because of a woman unless he also drinks liquor. For some reason the wrong kind of woman is idealized in a man's sight after he has had a number of drinks. Her charms are augmented beyond their true perspective. He thinks she is worth risking almost anything for.

Another trouble about drinking is that one completely loses one's sense of proportion. It makes a man feel a great deal more essential than he actually is. An eighteen-dollar-a-week clerk, after a few rounds of drinks, has an idea that he can follow the pace set by a man drawing five thousand dollars a year. He thinks he has enough

money to do whatever he wishes to do. He regards himself as a giant, both physically and financially.

With the falling off in drinking, men are becoming more and more dependable and more honest. A surety man told me that he believes the time is not far ahead when dishonesty will become practically negligible—simply because of the nation-wide decrease in drinking.

Certain nationalities and certain occupations comprise better honesty risks than others. For instance, everything else being equal, an unnaturalized foreigner is less likely to be honest than a man native born; because he is far from home, is little known, and has comparatively little incentive to guard his reputation in the community.

An Englishman, living on his native soil, is an exceptionally good risk, for a number of reasons. In the first place, unless he goes to foreign shores, he cannot get very far away from home. His island is too small for any part of it readily to become a land of Whereabouts Unknown. He has just that much less chance to hide than an American with a whole vast continent full of distant places, many of them well off the main trudge. And, what is much more important, the Englishman has been accustomed all his life to living under laws more strict than ours, and to seeing justice work much more swiftly. He has come to regard dishonesty as scarcely worth the risk involved.

In the long run, a man living in a small, settled community is less likely to go wrong than a man in

a large city—particularly a city where there is lots of so-called night life. This is due partly to the fact that there are fewer temptations in a small place, and because the man in a little town knows nearly everybody. If he steals and is found out, each and every person he must pass on the street adds to his mortification. In a big city he could steal, perhaps, without even his next-door neighbor knowing it.

Surety companies long ago learned that their number of losses will vary noticeably according to the general educational average in different localities. With an equal number of risks, they will have more losses in a place where the average citizen is poorly educated, than in a place where the people are more enlightened. In a state where their ratio of loss is small, the surety company knows, without asking, that the educational standards are high.

Proportionate to the population, the honesty risk is greater in a newly settled community. All kinds of people are there, good, bad, and indifferent; they have less regard for one another's opinion than in the old established neighborhood; and there is less heed to law and order and old customs.

On the other hand, an old, established community may be a breeding place for dishonesty, just because of its conservatism. A few years ago a surety company had so many losses in a certain county of a Southern State that they decided to in-

vestigate conditions there. They found that the whole locality was so conservative that people seldom went away from home. Business houses and banks had poor methods of bookkeeping, some scarcely any at all. They were doing business without card indexes or modern system of checks and balances. It was easy for a person to steal and place the blame, or at least suspicion, on somebody else. Moreover, ethical standards were low. For instance, it was considered all right for a county treasurer to steal a little, so long as he didn't take too much. That sort of thing had been done so long that the people were accustomed to it. They simply excused it by saying: "Oh, that sort of thing has been going on for years." Politicians did various things which they knew were not right, but to which they had become too calloused to pay much attention. Boys and young men growing up in this atmosphere naturally decided that a moderate amount of dishonesty was permissible.

"If that place had better railroads and better highways," reported the investigator, "so that people could get away from home occasionally and catch a fresh viewpoint, most of the dishonesty and lax codes of ethics would disappear."

I repeat that the simplest way to make a man honest is to make it impracticable for him to be dishonest. Years ago there was a lot of trouble due to people whittling off little pieces of gold or silver coins and in that way collecting small quanti-

ties of valuable metal. It was impossible to catch anybody in the act, and the practice was a great nuisance. Then someone hit on the plan of milling the edges of coins and having a rule that when this milling was damaged the coin would not be passable. That stopped the trouble instantly. It no longer paid to do it.

The nature of a man's occupation is a help or a handicap, with regard to his honesty, according to the amount of supervision it carries with it. A man working in the branch office of a big company is probably more likely to go wrong than if he were in the main office, directly under observation of others in high authority.

Occasionally a traveling man will establish for himself a lax code of ethics that he would never have considered if employed in an office where he would be subject to daily tab on his behavior and well-systematized restrictions. A jewelry salesmen, for instance, with a large assortment of samples entrusted to his care, selling goods on commission, or a man who travels about collecting money for his firm, is at heart no less honest than anybody else; but his work means a certain amount of temptation —especially if he ever faces a real need for immediate cash.

Another reason why surety companies prefer to shy clear from this type of risk is because the nature of the work gives opportunity for disputes between employer and employee. The man selling goods on commission may think he has not

received all that is due him, and take his employer's money, insisting that it is really his.

A mere youth is not as good a risk as an older man, for the reason that his character is still unformed. He has no reputation back of him to indicate what his future behavior will be. On the other hand, a man who has been in a position of trust and responsibility for two or three years, with a perfect record, may have been there just long enough to have won everybody's confidence and thus make defalcation comparatively easy. A surety company would rather guarantee the honesty of a man who has an unblemished record covering at least ten years. The man who plods along on a safe and sane basis for ten years without any sign of skittishness is a pretty safe bet.

Some years ago an Italian psychologist declared that at a certain age—from thirty-eight to about forty-four, I think it was—men were more likely to be dishonest than at any other time. Surety company experts take little stock in this theory. About the only reason a man aged thirty-eight might be more likely to steal than one twenty-eight is because of greater responsibility and greater demands upon him.

A woman is more likely to be honest than a man, partly because a woman, generally speaking, is more moral than a man. Then, the man who becomes a bit flighty and wants more money than he needs usually desires the money to spend on some woman. This rarely works the other way.

However, women have a much greater desire for costly clothes and finery than men. Most shoplifters are women. All conditions being equal, though, if you are hiring a bookkeeper whom you do not know, it is safer to hire a woman than a man.

In trying to get a line on a man's past, in order to arrive at a conclusion about his future conduct, one is handicapped by the fact that people often dislike to speak ill of a man when it may prevent his obtaining work. You get a list of a man's former employers and other references and ask them if they know anything detrimental to his character. They hesitate about putting down on paper anything which will injure his future chances, and are quite likely to minimize his shortcomings.

On the other hand, it is surprising how often a man will give as references persons who cannot conscientiously say anything good about him. There seem to be two or three explanations of this —one, as suggested above, because the man takes a chance on people not wishing to speak ill of anyone. Another explanation, and the one which I believe most often applies, is this: A lot of men think so highly of themselves that it never occurs to them that anybody else could possibly fail to place a similar estimate on them.

Some years ago I had occasion to sublet a little flat I had been occupying. Naturally, I wished to have reasonable assurance that my tenant would

© *American Magazine*

Many men are honest in direct ratio to the danger of being caught

pay his rent and that he would not pass quietly out of sight some day before sun-up, taking, maybe, a van load of my furniture along with him. So I asked for references. One man breezily mentioned a list of prominent bankers, captains of industry, capitalists, high-born social lions, and foremost citizens, which made me heartily ashamed of my impertinence for even asking him such a question. But after he had gone, I called up a number of his references, and without exception all told me substantially that they would not trust him around the corner.

He doubtless thought that I would be so dazzled with his high-toned references that I would not bother to call them, or else he was under the impression, because these men had always treated him politely, that they held him in the highest esteem.

The safe plan, when an unknown man gives references, is to take nothing for granted, go and look the references in the eye if possible, and hear what they have to say.

CHAPTER XXI

HUMAN NATURE AT THE CREDIT WINDOW

It is astonishing how much an expert credit man knows about the average person after taking one quick look and asking only one or two seemingly casual questions.

A well-dressed young man walks up to the credit window and expresses a desire to open a charge account. He wishes to buy some clothes. The credit man has him fill out a little card, with space for his name, home address, occupation, place of business, and whether married or single.

After glancing at the man, and the card, the credit man knows the following facts:

The customer does not own his own home, is living somewhat beyond his means, is selfish, therefore not well-balanced—inclined to please himself at the expense of somebody else—and should not be trusted too far.

The man's place of residence is in an old street just off one of the city's main thoroughfares, and given over mostly to large, old-fashioned houses, except where these have been torn down to make way for apartment houses. It isn't likely that the man lives in that location except in a flat, in

which event he is, of course, a renter. And rents there are high, considerably higher than a billing clerk in a small wholesale concern should pay. The credit man knows about what the concern mentioned should pay a billing clerk—let us say thirty-five dollars a week. Not more than a fourth of that should go for rent. That leaves so much for groceries, so much for clothes, and so much for other smaller items.

A man's expenditure for clothes should not be quite half as much as his wife's. Women's clothes cost more. But this young man is dressed rather expensively. And he wants more clothes—wants them so much that he is willing to run in debt for them. The one who is doing without clothes must be his wife. If he were a salesman there might be some excuse for him to dress expensively—in order to carry a look of prosperity and help his sales, or to land himself a better job.

But costly clothes are of little help to a billing clerk. The reason for them must be the personal vanity and selfishness of the wearer. This theory is confirmed by the expression of the applicant's face.

All these things flash through the credit man's mind in a few seconds. He does not rely entirely, however, on such deductions. If in doubt he puts additional questions. But more often than not it is unnecessary to ask any questions at all. For if the applicant has ever had credit elsewhere, his whole record is already on file. Lists and black-

lists, from which one may learn of the paying or nonpaying propensities of thousands of men and women, are exchanged among the stores in any big town. That is the work of the Retail Credit Men's Association. If you are slow to pay your bills at one store, every other store at which you might seek credit is certain to know it.

Every day somebody goes into a big store where he is not known, asks for credit, gets it, and goes out marveling that the thing was so easy.

"For all they know," he thinks, "I might be a dead-beat or a crook. They must lose a lot of money in that way."

The truth is that credit losses in the average big stores are surprisingly small—comparatively trivial. When a store lets a stranger open a charge account, they know a great deal more about him than he suspects.

Credit men in big retail establishments, especially department stores, become very expert in sizing up feminine human nature, for the majority of the shoppers in such stores are women. A great many women are pretenders. That is, they pose as "grand ladies" when they are not. Rarely does such a woman, when she appears at the credit man's window, succeed in fooling anybody. The expert credit man knows that many well-to-do gentlewomen dress plainly, and that many pompous women of the plush-horse type nevertheless have financial standing; but he also knows that when a coarse-featured woman wears fake jewelry

and ultra-fashionable clothes, or other bizarre combinations of cheapness and expensiveness, she will bear the closest investigation. If she appears insulted when asked to answer a few customary questions, the credit man simply confirms his suspicion that her account is not desirable. Moreover, the credit man is dubious about a woman who is either unduly talkative, or needlessly uncommunicative. The woman who talks too much may be trying to hide something under her veil of palaver. And the one who will volunteer nothing at all is at least unfair to the store, for she should appreciate that they are entitled to know something about her before extending credit.

On the other hand, a woman may have little to say owing to a feeling of embarrassment, because she is not accustomed to business dealings. And she may suddenly talk with surprising freedom, due to a sense of relief, as soon as she feels that the worst of the ordeal of obtaining credit is over. A good credit man knows this, and schemes to place a woman at her ease as quickly as possible.

While a customer seeking to establish credit has no justification for being offended when asked about her financial status, yet the high-grade credit man knows that it is wise to get his information with the fewest possible number of questions.

The trick is to have a touchy customer supply answers to questions without knowing that she is doing so. For if a customer becomes offended

the store may lose not only her trade but the trade of any friends she is able to influence.

I once overheard a conversation between a credit man and a woman whose appearance—as the credit man later told me—indicated that she was high-strung and should be handled carefully.

"I would like to open a charge account here," was all the information that she volunteered.

"Very well," replied the credit man, breezily. "Just let me jot down your name." She said her name was Mrs. Ralph J. Ferguson.

"That's not the Ferguson down at the City Hall, is it?" inquired the credit man in friendly fashion, as if his only object were the fun of discovering a former acquaintance.

"Oh no," she replied; "my husband works for the gas company. He's been there for the last seven years."

"That's right. Isn't he in the accounting division?"

"No, he's assistant to the chief of installation."

The credit man nodded knowingly.

"Now, if you will give me your street address," he went on casually, reaching for a pen. "I'll put it down here on our books."

"We live on East Hampton Avenue," was the reply.

"East Hampton. That's a nice little street. A friend of mine nearly bought a house out there last spring. By the way, Mrs. Ferguson, what's property worth out there now?"

"Well, we paid eleven hundred dollars for our lot just before we built, but that was some time ago. When we reduced the mortgage recently the man told us the values there had advanced a good deal."

"I suppose you know my old friend George Ruddick, the grocer?"

"Yes. We usually deal, though, at Harner & Wolf's."

"That's a good store, too."

Now, it will be noted that, without any formality and without the customer's realizing that she has told anything about her financial standing the credit man has learned a number of facts: He knows where her husband is employed and the nature of his work—from which he can make a pretty accurate guess as to the amount of his salary; he knows that they live among genteel people and own their own home. Moreover, he knows where they buy groceries, and can easily find out from the grocer if they pay promptly. He can use the telephone and the city directory, and readily confirm the other things she has told him. He not only got the facts he wanted without offending her, but she is pleased and flattered over the nice chatty little human way the store has dealt with her.

Obviously no credit man would undertake to handle all customers in the same way. A great many would prefer more formality. In a majority of cases the customer fills out a little card, and that is all there is to it. And the credit man

in a big establishment does not always deal with all customers personally. Often his assistants are girls. Credit men are pretty well agreed that for some reason no class of girls can do this work so well as Irish girls.

Widows comprise a difficult problem for every retail credit department. You can't ask a widow what her husband's occupation or salary is. Maybe she lives in a boarding-place. She is unemployed, and has not established credit at other stores in the city. She may have independent means, or she may be an adventuress. Even if she has every intention of paying her bills, a woman's desire for clothes often destroys her sense of balance.

What is a credit man to do in the case of a widow? He can ask her for names of her acquaintances, who may serve as references. Or, if she has not been in the city long, he can ask where she dealt in the city where she lived before. In fact, if he can learn where she came from, all he has to do is to get in touch with the retail credit association there. If she had credit at stores in that city and paid her bills promptly—or didn't pay them—her record is on file. But if the woman should be an adventuress she may have changed her name. It is not unusual, by the way, for a woman to go from one town to another and use the name of a prominent society woman. Let us say that a woman goes into a store in Cleveland, explains that she is visiting in the city, gives her

hotel address, and her name as Mrs. Cecil J. Vanderhick, of Pittsburgh. The Vanderhicks are leaders in Pittsburgh, and there is no question about their ability to pay for whatever they buy. But there may be some question about the woman in the store being Mrs. Vanderhick. So the credit department wires the retail credit association in Pittsburgh, asking for a brief description of Mrs. Cecil J. Vanderhick, and whether she is visiting in Cleveland. A big store must constantly be on guard against the buyer who tries to represent herself as somebody else, even in the same city.

It is probably true that most stores have more credit losses on widows than on any other one class of persons. An almost equally serious problem in the average big store are those planning to become widows—that is, grass widows. A woman about to be sued for divorce will often make a dash for the nearest department store to stock up with everything she thinks she needs, and charge it all to her husband ere it is too late. And there is no way of knowing in advance that a woman is about to take part in a divorce action; a store is simply obliged to take chances.

"Beware of the woman," remarked one credit man, "who doesn't seem to want you to call up her husband."

And nothing excites suspicion in a store more readily than for a customer, immediately after being permitted to open a charge account, to buy

heavily—especially if the articles bought may be classed as luxuries.

"Mrs. So-and-so has ordered these articles sent to her home," a clerk reports. "Shall we let her have them?"

Let us assume that the customer has only recently obtained the credit privilege. The credit man can look over the list and pretty nearly tell at a glance, just from the kind of things ordered, whether the customer intends to pay for them or not.

Competition makes credit a necessary evil. Nearly any high-grade merchant will tell you that the modern system of retail credit is not economically sound. A man goes into a department store to buy an overcoat. He expects to pay about twenty-five dollars—all he can afford. The clerk shows him a coat at forty dollars which strikes his fancy, and he thinks: "Oh, well, I don't have to pay for it just yet, anyhow." So he buys the forty-dollar coat, even though it is beyond his means. If he had been obliged to take the money from his pocket in actual cash, twenty-five dollars would have been his limit. Having bought his coat, the man decides that he wants a pair of shoes. There is a place down the street where he can get them seventy-five cents cheaper, but he stays right where he is, because at the other place he will have to pay cash. Thus credit discourages buying at the most advantageous market.

One credit man I know has really done a great

© *American Magazine*

"I wouldn't burden myself with paying installments on so much stuff. This may not be any of my business, but you'll thank me for it some day." And they did

work in encouraging people to live within their means. A young bridegroom came in one day with his bride to buy furniture for the little four-room nest in which they were to begin housekeeping. The man had only a modest income but he felt that his wife was so lovely and attractive that she should have the best of everything. So he ordered about twice as much furniture as he could afford. The credit man looked over the list of things they had selected, and then spoke to them somewhat like this:

"We're here, of course, to sell furniture, but, honestly, if I were you, I wouldn't burden myself with paying installments on so much stuff. Instead of buying a one hundred-and-fifty-dollar dining-room set I would get one for about sixty dollars, even if I had to replace it later on. As a matter of fact, you don't need any buffet for your dining-room. Lots of flats have them built in. Get a little serving table and make it do. And what do you want with a lot of stuff for a spare room? If some of your relatives come to visit, let 'em sleep on a cot. They will think all the more of you when they see you're starting out modestly. This may not be any of my business, but you'll thank me for it some day."

And they did.

Everything else being equal, credit men say, the best risk is a man earning around $2000 a year. If he makes much less than that he may have difficulty in making ends meet. But a $2000

a year man can live comfortably, and yet be free from the temptations that beset a man earning $5000. When you're making $5000 a year you move in a circle which will probably include persons earning $10,000 or more. And you may try to keep up with them. The only way you can follow their pace is to live beyond your means. The same thing is true of the man earning $20,000. After you once get into the comparatively wealthy class you are constantly up against the temptation to live like the fellow who makes a little more than you do.

I once asked three different credit men what occupations seemed to be most closely associated with the prompt payment of bills. It is interesting to note that all three men gave me the same answer. Each one said that, all other things being equal, he would rather trust a railroad man than a person of almost any other occupation. The reason is that a railroad man is trained to be systematic and punctual.

Another credit man told me that for the amount of their income, lawyers and doctors—more particularly lawyers—are notoriously slow about settling bills. A lawyer hasn't the fear others have of being forced to defend an action in court. And, then, any professional man gets his income spasmodically, irregularly. It is not so easy for him to fall into regular habits in his expenditures as the man who gets a certain amount of money every Saturday night.

People of vast wealth are often the most difficult to get money from. They are aware that the store proprietor knows they are good for whatever they owe. And as their income is from capitalistic rather than from salary sources they fall into the habit of keeping every dollar of their principal working in their own interest as long as possible.

Big-store proprietors and credit men know that the summer vacation season is the most difficult time to collect bills. Men are saving their money for other purposes and are slow to give it up for something already consumed. The first of January is the easiest time for collections of all kinds, even though it follows close on Christmas, simply because everybody has firmly imbedded in his mind the idea that one should start the New Year with a clean slate—and that he will only be doing what most other people are doing and are expected to do. When a man doesn't pay a bill around the early part of January, there is no telling when he will pay it. If he is allowed to go until, say, the end of February, he is all over his New Year resolution to get squared up, and will be twice as difficult to dissociate from his money as he would have been even two or three weeks sooner.

CHAPTER XXII

THE VOICE OF THE AVERAGE MAN

It would be interesting to know what percentage of business men fall short of success because of some disagreeable quality of voice. Most American voices are strident and harsh. Men come in to sell us things, or to talk to us about business propositions of one kind or another, and their talk, not infrequently, annoys us—not because of any lack of merit in what they say but because of the irritating way in which they say it.

Persons who have given the matter much thought declare that the standard of speech among Americans is the worst in the civilized world—slovenly in comparison with English, French, German, Italian, Spanish, Russians, or even South American. Anyone who has studied French or German, under a native instructor, will recall the great stress laid upon accurate pronunciation and distinctness by such teachers. Here in the United States, on the other hand, it is so common to hear men say, "cer'nly" for "certainly," "goin'" for "going,"—even "gunna" for "going to"—and a long list of similar inaccu-

racies, that such utterance is accepted as a matter of course.

Possibly an appreciable amount of business inefficiency may be directly due to the single item of not understanding the names of persons to whom we are introduced. There is no question about the business advantage of remembering names. And one great reason why we often fail to remember a man's name is because we did not catch the name in the first place.

In connection with his efforts to arouse interest among business men, in better speech, a famous voice expert talked to a number of traveling salesmen who, he discovered, were holding rather mediocre positions, for no other reason than that they lacked something in agreeable personality. He met one man, selling a line of high-grade goods, for which the man had some wonderful sales-arguments. Yet the arguments were not as impressive as they should have been, simply because they were not clean cut. The man slurred his words, said "cer'nly" for "certainly" and "mou'n" for "mountain." After he came to know the salesman well enough, the expert called his attention to these defects, and the man tried to correct them, but had some little difficulty. The instructor noted that the trouble was due entirely to the fact that he did not make proper use of the tip of his tongue. This was readily corrected by the use of some simple exercises. To-day that man's income has considerably increased,

and there is little doubt that the reason is mainly his improved personality. He is able to sell more goods because people are more willing to listen to him; he is more pleasing in conversation.

There was another man who was obliged to do so much talking that at the end of a day he was physically tired from his vocal efforts. And the reason was that he talked in what might be termed a wasteful manner; that is, he did not convert all his breath into tone. He was like the fireplace where most of the heat goes up the chimney. Still another man talked poorly because his vocal chords were too tight and needed a little special exercising and the repetition of certain sounds to loosen them up. A noteworthy feature of a number of cases that came by chance under the expert's observation was that many business men were laboring under vocal handicaps which could be remedied in just a few days.

One salesman had a habit of talking too rapidly. While he spoke with reasonable distinctness, and his tonal quality was good, he fell short of his full efficiency because he failed to convey an impression of calmness. There is something about the salesman who is quiet and calm and sure of himself that tends to increase one's faith in the stuff he is selling.

Then there is the type of man who talks too loudly. He may have a musical quality in his voice, and excellent pronunciation, but if his voice keeps booming in one's ears more loudly than is

necessary, the man gradually wears on one's nerves.

Business men over the country are beginning to realize the importance of less vicious speech habits as an aid to national efficiency. One telephone company executive once remarked:

"We would be willing to spend thousands of dollars if we could have any assurance that it would have any noticeable effect on making people speak more plainly."

And what is true of telephone companies is true, to a surprising degree, of various other lines of business. There would be a vastly greater business efficiency if it were not for the widespread defects in American speech.

If you were to go into the operating room of a big telephone exchange, where hundreds of girls are busily repeating numbers and jabbing plugs into switchboards, you might be impressed with the fact that all the operators are using about the same tone of voice. The tone seems to be something like an E flat, and it is so low that one can scarcely understand what any girl is saying, even though standing only a few feet away. But the subscriber at the other end of the wire has no difficulty in understanding.

The operators have unconsciously fallen into the way of using a tone to make themselves understood with the minimum of physical effort. And they have had special training to make their enunciation effective. It is a rare thing for a

subscriber to have any difficulty in understanding a telephone operator. Yet when a mistake is made, the tendency is to blame the girl at the switchboard—to blame her for not being able to understand the faulty enunciation of the subscriber

If the average telephone subscriber spoke as distinctly as the average operator, there would not only be much less annoyance, and less wear and tear on the temper, incident to telephoning, but the telephone companies could give more service for less money. For one thing, if there were no mistakes to be corrected, not nearly so many operators would be needed.

Faulty though it is, our talk is much more plain over the telephone than at any other time. For we have learned that it is advantageous and time-saving to take special care of our pronunciation over the wire. A few years ago retail establishments which took orders over the telephone had a vast amount of trouble and expense correcting and remedying errors due to misunderstanding what customers said. A great deal of this has been eliminated. The best grocery concern in Cleveland, Ohio, has a big store in the residential section at which a trifle more than eighty per cent. of its business is done by telephone. This enables the company to get along with much less floor space and fewer clerks than if all these customers came to the store each day and gave their orders over the counter. And a surprising feature is that

there are actually fewer mistakes and misunderstandings over the telephone than when the customers deal with the various clerks face to face. It simplifies things to take an entire order at one place.

A small amount of thought on the part of telephone users would eliminate much of the tendency to be misunderstood. The reason a telephone operator is usually more easily understood than a subscriber, is because the operator is required to give attention to her pronunciation. For example, consider the words "five" and "nine," which frequently sound alike over the telephone. If you give undue emphasis to the "i" in those two words, and neglect to emphasize the more distinguishing sounds, there is great danger of confusion. An operator is taught to say "five" not only with a long "i" but also with a strong "v," and to place special stress on the second "n" in "nine," almost as if it were spelled "nien." The words "three" and "four" might sound alike if one were to place emphasis only on the "r." But when you say "three" with a slightly rolling "r" and a good broad "e," and say "four" with stress on the long "o," there is little chance of misunderstanding. Telephone operators are taught also to speak with a rising inflection. In saying the word "number," their tone goes running up on the final syllable. This is not only because it sounds more cheerful to speak with a rising inflection, but because, for some reason, one is more easily under-

stood than when the voice drops at the end of a word. In England nearly everybody speaks with a rising inflection. A clerk says "Thenk you" and about all you hear of it is something that resembles "Q," but his remark has nevertheless a cheery sound. Here in America we say the same thing with a falling inflection and it sounds rather perfunctory, at times almost surly. To make a remark with rising inflection is almost like adding, "Don't you think so?"—but there is something of finality about the falling inflection which makes one's talk seem dogmatic. Taking us on the whole we are a nation of dogmatic talkers.

Some of the schemes made use of by telephone companies to improve the pronunciation of their operators would readily lend themselves to other lines of business. For instance, it is a rare thing for street-car and subway conductors to call out the names of streets in a way that can be understood by passengers. There has been a decided improvement, however, on the part of most steam railroad-brakemen. Several times in recent years I have heard brakemen mention the name of the next station in a careful, well enunciated manner which actually conveyed a meaning. The steam railroads have recognized the advantage of giving heed to such matters. On the other hand, I recall hearing a subway conductor call out "Barclay," his intention being to let passengers know that the next stop would be Barclay Street. He might as well have yelled "rock," or "rah rah," or

"bow wow," and his meaning would have been equally clear. Yet if he had been taught to pronounce it, slightly exaggerated, like "Bar-r—clee," with a merry, rising inflection on the last syllable, passengers would not only have understood him, but would have received a subtle impression that it gave him great pleasure to call out the stations.

An encouraging fact is that the average American's bad speech-ways, and noisy, harsh voice are merely the result of careless habits acquired in childhood.

A general insistence on decent speech—distinct utterance, and clear, quiet voice—would not only make life pleasanter but would enable us to talk faster and be understood more easily in all our business dealings.

INDEX

A

Accidents and law of averages, 4
Accounts, overdue, 228
Advertising, and footsteps, 61; and rain, 84; of large stores, 115; styles in, 117; method of, varies, 118; amount of space and attractiveness of, 120; a method of invitation, 136; adhering closely to, 139; made to appeal to women, 143
Alphabet, law of averages applies to letters of, 5
Anchor and dock rent, story of, 188
Apartment, rented by raising price, 96; on top floor, method of renting, 198
Architects, 90
Astor, William Waldorf, 221
Athletic goods, 199
Attractions, cleverly announced, draw, 36
Automobile and law of averages, 4, 17; and quality traffic, 56; story of rich miner and, 102; with top over back seat only, 111; with two men in livery, 111; salesmen and women buyers, 145; method of buying, 154; and doctor, 186; salesmen and tire trouble, 195
Averages, law of, 1–6; at work, 7–21; compared to electricity, 21; noon hour and, 35–41; relation between, and rush of customers, 121; retailer uses, 147
Aviators, 70
Awning companies, 92

B

Banks, tend to decrease traffic, 54, 55; benefited by being on busiest corner, 55
Bills, collected by use of imagination, 192; collection of, and courtesy, 228; paid slowly by wealthy, 259; difficult to collect, during vacation season, 259; easiest time to collect, 259
Birthdays, children's, and dep't stores, 196
Boldt, George C., 203, 204, 220–222
Bonds, short and long term, 195; and surety companies, 233
Bookkeeper, escapes punishment for theft, 236–238; made auditor, and results, 239; comparative merit of man and woman, 246
Books, 108, 142, 195, 217
Boston, Mass., 45
Bourne, Senator Jonathan, father of, 188
Boys and athletic goods, 199
Brick, tapestry, origin of, 183
Brooklyn, N. Y., 67, 85
Brushes, scrub, 127
Bryan, William J., 12
Building, supplies dealer in Middle West, 91; new appearance of, and rents, 198
Business, advance information on politics aids, 11; weather

Business—(*Cont.*)
in England affects American, 13; size of wheat-crop affects, 14; and footsteps, 22, 31, 42, 59; on shady side of street, 43; aided by lights, crowds, and music, 52–54, 189; and quality traffic, 55; and car lines, 59–68; increased by enlargement of store, 77; scientific precision in, 79; and whims of men, 82; weather and, 83–94; of musical instruments, 88; increased by raising prices, 95, 102; increased through understatements, 117; retailer and what he must remember, 149; telling in advance one's, 180; making impression of capacity, 184; example of good and bad, 189; retail and imagination, 192; increased by giving information freely, 200; and courtesy, 212–230; youths and older men in, 245; and the voice, 260
Buy, to, or not to buy, 153–163
Buyers, relation between traffic and, 3, 22–29, 31, 34, 68; and window displays, 56; and location of stores, 64; number of, increased by enlarging store, 77; rain and, 84; women and men, 122, 143; suggestions to, by salesmen, 135, 150; dangerous to trick, 138; professional, and salesmen, 153–163; from small towns, 160; salesmen and habits of, 181; of real estate, 190; and feeling, 194; residence of, remembered by salesmen, 200

C

Calendar and salesmen, 193
Candy, and soda, 3, 30–34; influence of movies on sales of, 30; sale in towns, 31; time of day when sale largest, 32; men and women buyers, 32, 145; amount of average purchase of, 33; sales in winter, 33; sales in South, 33; best day for sale, 34; locating a store to sell, 80; package of, made to attract, 145; most liked, 148; and hotel guests, 207
Card index and successful salesman, 165
Carnegie, Andrew, 166
Cars, street, and pedestrians, 59–68; and the weather, 94
Carson City, Nevada, 117
Cashing in on footsteps, 22–29
Catalogues and law of averages, 10
Cause and effect, 2
Cement contractor in Middel West, 91
Census, bureau, 16; McCoy's calculation of, 16
Charts and law of averages, 37
Cherry tree advertisement, 191
Chicago, mail order house in, and law of averages, 10
Child-labor laws, 137
Chocolate, 148, 149
Cigars, record day of sale of, 7, 8; and footsteps, 22–25; and the weather, 27, 93; and habit, 28; change traffic, 54; sell in small space, 77; and service, 201
Cincinnati, O., 67
Circus, the, 19, 20
Cities, people bound by habit, 45; "jay-walker" ordinances of, 46; percentage of population of, which passes busiest corner, 46; east side of, preferred for residence, 48; trick corners of, 49; growing, and footsteps, 57; stores in, and towns not affected alike by weather, 83
Cleveland Advertising Club, 35

Climate, and law of averages, 3; and candy sales, 33
Cloaks, women's, 25, 116
Clothing, dealer in ready-made 4; anecdote of dealer in, 172
Clubs, war tax on dues of, 18
Codes, secret, 5
Coffee and a successful restaurant, 185
Coinage, milling on, 243, 244
Collar, dark, and laundry bill, 112; author's experience buying, on Fifth Ave., 212–214
Collectors, 228
Comedian, 164
Commissions and dishonesty, 244, 245
Commodities purchased by women and law of averages, 3
Commonness, detestation of, 108
Competition makes credit necessary, 256
Complaints, methods of dealing with, 92, 227, 228
Conservatism and dishonesty, 242, 243
Corner, busiest in U. S., 23; formerly in Newark, N. J., 24; cutting a, 46; trick, 49
Cotton batting, 149
Counterfeits, instruction to salesmen about, 219
Courtesy, capitalizing, 212–230
Cowboys, author's experience with, 170
Credit, 248–259
Crops, reports on, made by salesmen, 13; early, and sandy soil, 190
Cross, Jay Lee, 35–41
Crowd, and the average person, 3; and the circus, 19; following the, 42–58; in a store, 70

D

Dayton, Ohio, 94
Dentists, 89
Denver, Colo., 67
Detroit, Mich., 77
Diamonds, 97, 101, 102
Dishonesty, definite relation between, and temptation and necessity, 231; surety companies decrease, 233; and liquor, 240, 241; in England, not worth the risk, 241; in new and old communities, 242
Distinctiveness, craving for, 95
Doctors, 89, 186, 258
Dress, fashionable because expensive, 104

E

Education and honesty, 242
Elections and law of averages, 5
Electric light company, method of warding off complaints, 92, 227
Electrical appliances, 183, 185
Electricity, law of averages compared to, 21
Elevated and pedestrian traffic 61
Emeralds, 101
Employer, important questions put to, by surety company, 239; hesitates to speak ill of an employee, 246
England, weather in, affects business in America, 13; natives of, and honesty, 241; rising inflection of voice in, 266
Ethics and traveling man, 244
Exchanges, making, 201, 218
"Exclusive," 107
Express companies and business courtesy, 216, 217

F

Failures, cause of, 161
Fairbanks, Alaska, 33
Fans, electric, 185

Farmers, and the weather, 93; and imagination, 190
Feeling in relation to selling and buying, 194
Fifth Avenue, 43, 47, 48
Fires and law of averages, 4
Floor space, study of, 71–76
Florist and how amassed big fortune, 95
Food and law of averages, 8 35, 88
Footman on automobile, 111
Footsteps and store-owners, 22–29, 60; percentage large in small towns, 31; increased by "jay-walker" ordinances, 46; and corner in Washington, D. C., 50; and corner in Houston, Texas, 53; and values, 57; and transportation, 61
Foreigner, unnaturalized, and honesty, 241
Frankness lessens suspicion, 235
Frontage values, 76; definite relation between, and receipts, 78
Fuller, Chief Justice, 166
Furniture, 115
Furs, 104, 115, 139

G

Gateposts and suburban allotments, 187
Gillette, William, 182
Gold, 98
Good-will, buying, 205, 206
Governor, author's interview with, 176
Grievances of hotel guests, 208
Grouping, suggestive, 150

H

Haberdasher, 135, 200
Habit, and the more distant store, 28; people in Boston and, 45; of cutting corners, 46; and footsteps, 70; retailers and, 149; and salesmen, 181; and the voice and speech, 267
Hairdressing, 128
Hairpins, 128
"Hand him a lemon" joke, 182
Hanley, Col. Bill, 165
Hardware concern in St. Louis and law of averages, 10–14
Hats, 108, 130
Health, and winter of industrial depression, 127; and the salesman, 140
Hill, Louis W., 165
Honesty, in average man, 231–247; and prohibition, 241; and native born men, 241; in England, 241; and education, 242; and occupation, 244; found more among women than men, 245
Hotel, and law of averages, 5; and the weather, 90; and high prices, 110; understatement of a proprietor, 117; proprietor and joke, 186; handling people at, 202–211; Boldt's theory about guests, 203, 204, 221; and new guests, 208; manager to patrons, 209; one whim of guests, 211; business and courtesy, 220; efficiency and inefficiency of managers, 223–225
Houston, Texas, 53
Human ants, 69–82
Human nature, meeting, halfway, 143–152; and hotel business, 210; resents stereotyped phrases, 229; at the credit window, 248–259

I

Ice companies, 92
Idleness increases candy sales, 34
Illumination, 52–54

Imagination, applying, 182–192; turning, into profit, 193–201; and hotels, 202
Inefficiency, business and speech, 261
Inflection, rising, of voice, 219, 265, 266
Information, given freely increases business, 200; must always be accurate, 225
Insurance, companies and law of averages, 3, 4; agents and the weather, 91; salesmen, Boldt's prejudice against, 204
Irons, electric, 183

J

"Jay-walker," ordinances, 46
Joke, best avoided by salesman, 179; "Hand him a lemon," and result, 182; hotel proprietor's milepost, 186

K

Keynote, finding the, 164–181
Knives, incident of sharpener of, 197

L

Language of salesmen and buyers, 174
Lawyers, 258
Legislature, committees of, on taxation and revenue, 13
Lemons, 182
Letters, retailer and form, 185, 196; and overdue accounts, 228
Liberty Bonds, 20, 21, 99
Lightning and law of averages, 4
Lights and business, 52–54
Lingerie, 105, 183
Liquor and stealing, 240, 241
Location, without space, 77; value of, and space value, 77
Luncheon, men's moods at hour of, 35–41

Mc

McCoy, Joseph S., 14–19
McFarland, George, 167
McKinley, William, 12

M

Mail order business, 10, 89, 185
Man, average, impulses constant, 1; changes with conditions, 1; prediction of actions of, 2, 3, 6, 8; purchasing propensity of, and size of wheat-crop, 14; Joseph S. McCoy and his knowledge of, 14–19; Jay Lee Cross and observations concerning, 35–41; dislikes waste, 39; prefers entertainment, 39; favorite topics, of, 40; favorite speakers, 40, 41; responds to weather in definite way, 83; not a close observer, 151; likes to be flattered about masculinity, 164; prefers hotel where women are, 203; honesty in the, 231–247; and the credit man, 248; voice of, the, 260–267
Marines and reporter Ross, 171
Mason and Dixon's line, 33
Men, and law of averages, 4, 7–9; sheep instincts in, 20, 51; and cigar stores, 24, 27; and crossing streets, 29; and candy and soda buying, 31, 32; moods of, at lunch hour, 35–41; and attractions, 36; days of week and business, 37; business, appreciate good letters, 38; fond of entertainment, 39; and women, proportion of, on Fifth Avenue, 43; and corner in Washington, D. C., 49; enticed from home spend

Men—(*Cont.*)
money, 53; aviators contempt for, 70; keep to right in America, 71; richest, in town, 103; and vanity, 105; reached through reason, 145; have keynote, 164; sizing up, 177; auspices under which meet, 179; business of, told in advance, 180; and imagination, 182–192; business and the calendar, 193; in hotels, 202; and courtesy, 214; when good risks for surety companies, 235, 236, 245; steal to impress women, 240; and liquor 240; native born, 241; youths and older, in business, 245; past of, 246; self-satisfied, 246; and credit, 257
Merchandise, high grade at fancy prices, 129
Miner, and diamonds, 102
Money, amount of, in mail determined by weighing, 10; amount of, represented by sales slips, determined by weighing, 10; and the wheat crop, 14; amount of, taxation measures bring in, estimated by Joseph S. McCoy, 15, 16; man enticed from home spends more, 53; vanity, 112; stolen to impress women, 240
Mops, 128
Multi-millionaire and emblem of wealth by proxy, 99
Music, business man fond of, 39; helps business, 53; selling instruments, 88, 122; high-grade, effect on employees, 189

N

Necessity and dishonesty, 231
Newark, N. J., 24, 67
New Bedford, Mass., 188
New Orleans, La., 33
Newsboy and law of averages, 2
Newspapers, Sunday sale affected by weather, 2; editors and law of averages, 5; importance of news in, affects cigar sales, 7, 8; and department store advertising, 85; and hotel guests, 206
New York City, Broadway and Wall Street, 23; Broadway and 42d Street, 23; speaker from, generally attracts, 40; Fifth Avenue, 43, 47, 48, 77; Sixth Avenue, 47, 48; Wall Street, 50; Broadway and 41st Street, 50; Great White Way, 50; business revolutionized by subway, 62; Fourth Avenue, 62; Flatiron corner, 62; Thirty-third and Thirty-fourth streets, 63; Twenty-third Street, 64; Canal Street, 64; Fourteenth Street, 64; pearl dealer in, 99; real estate sold for pearl necklace, 100; department store in, has no signs, 103; City College, 166
New York, New Haven and Hartford Railroad, 215

O

Observation, power of, required by Geo. C. Boldt, 204
Occupation and honesty, 244
Operators, telephone, 218, 219, 263, 265
Overstatement and understatement, 117

P

Paint and land values, 190
Parcel Post, 216
Pearls, oriental, 98–101
Père Marquette Railroad, 216
Perfumery, 147–149
Philadelphia, Pa., 49, 220

Phraseology, between clerk and customer, 136
Pianos, 25, 102, 122
Pittsburgh, Pa., 112
Platinum, 97, 98
Politics, advance information on, benefits business, 11, 12
Post-cards sometimes better than poor letters, 39
Prices, relation of, to revenue, 15; high, sometimes demanded, 97; and overburned bricks, 183
Professional men and the weather, 89
Pronunciation, in America very poor, 260; special care of, over telephones, 264, 265; of street-car and subway conductors, 266; of steam railroad brakemen, 266; faulty, result of careless habits, 267
Property owners and footsteps, 57
Public service corporations, 227
Publisher and overbuying, 162

R

Railroad, manager of, and sugar incident, 188; courtesy of, employees, 214–216; and credit men, 258; brakemen, pronunciation of, 266
Rain affects cigar sales, 27; and business, 83–85, 89–94
Rainfall, daily reports on, made by salesmen, 13
Razors, incident of sharpener of, 197
Real estate, advertising, 84; sold for pearl necklace, 100; selling, and flattery, 173; and imagination, 190, 194
Reason, senses *versus*, 145
References, look up all, 247
Rent, and footsteps, 22, 50, 57, 70; of stores selling low-priced articles, 26–28; changed by jay-walker ordinances, 46; lower in deserted districts, 65, 66; lower in Brooklyn, attracts New Yorkers, 67; and frontage, 79; advance allowance for, 81; of apartment let by raising, 96; raised by improving appearance of property, 198
Responsibility and salary, 231, 239; and honesty, 236, 245
Restaurant, manager of, and law of averages, 8, 9; how proprietor of new, attracted crowd, 52; business on cloudy days, 88, 89; near Dept. of Agriculture, Wash., D. C., 89; impression of capacity business, 184; successful, and coffee, 185
Restlessness, 34
Retail Credit Men's Association, 250
Retailer and law of averages, 4, 8, 147; and footsteps, 22–29, 57, 60, 68; of candy and soda, 30–34; on shady side of street, 43; helped by lights, crowds and music, 52; requires quality traffic, 55; and transportation, 59–68; and whims of men, 82; and deferred sales, 86; aims to keep trade steady, 87; of musical instruments, 88; what things, should remember, 149; why fails, 161; and imagination, 192
Revenue, Committees of Legislatures on, 13; not increased in direct proportion as taxes, 15
Robes, lounging, 182
Rockefeller, John D., 165
Ross and experience with marines in San Francisco, 171
Ross, William L., 223
Rubies, 101

S

St. Louis, hardware concern in, and law of averages, 10–14
Salary and responsibility, 231, 232, 239
Salesmanship, ingenuity in, 130–142; and the keynote, 170
Salesmen, and advance information on political situations, 11; turn in daily reports of weather and crop conditions, 13; and weather, 90; in retail businesses, 130–141; suggestions made by, 135, 150; appeal to women, 143; and professional buyers, 153–163; automobile, 154, 195; and card index, 165; and the keynote, 172; language of, and buyers, 174; and jokes, 179; auspices under which, meet men, 179; and tact, 181; and the calendar, 193; few have imagination, 193; and books, 195; and addresses of customers, 200; and the voice, 261
San Francisco, Cal., 171
Scales and hotel business, 187
Seasons and law of averages, 3
Senses *versus* reason, 145
Serge, blue, 149
Service and value, 133
Service, Robert W., *quoted*, 1
Shoes, 105, 106, 112, 116, 132
Shoplifters, 246
Shopper, habits of, 114–129
Signs, at soda fountains, 151; type of, 152
Silver, 98
Sizing up a process of elimination, 177
Skates, 127
Snow, little effect on large attendance, 38; encourages people to walk on shady side, 42
Soda, influence of movies on sales of, 31; sales in small towns, 31; time of day when largest sales made, 32; proportion of men and women buyers, 32; sales increase with temperature up to certain point, 33; temperature best for sales, 34; no two days of week alike for sale of, 34; advertising, 116; and buying checks in advance, 139; kind most preferred, 148; signs at fountain, 151
Soil, sandy and earlier crops, 190
Space, location without, 77; location value does not increase in same proportion as value of, 77
Speculator, ticket, 184
Speech among Americans, 260
Stamps and drug stores, 226
Statesman, 164
Store, candy and soda, 30–34; in Detroit or on Fifth Avenue, 77; locating a, 80
——chain, 6, 22, 26, 27, 127, 148
——cigar, record-breaking day for sales, 7; sales affected by news, 7, 8; by parades, 8; importance of footsteps to, 22–25, 27–29; in Houston, Texas, 54; with little space but good location, 77
——country, and loafers, 34
——department, and footsteps, 25, 57; rental value of each section of, 70; course of traffic through, 71; expert's conclusions about, 73; frontage value of, 76; affected, by rain, 84; advertising of 85, 115; in N. Y. City, has no signs, 103; and underwear, 114; equalizes trade, 116; styles of advertising have changed, 117; manager deals with human nature,

Store—(*Cont.*)
118; instructions of, to clerks 136; child-labor laws and, 137; toy dep't manager increases sales, 196; and returned goods, 218; credit man in, 250
——drug, 148, 200, 225
——Five and ten-cent, 26, 127
——grocery, in New York City, 50; and courtesy, 226; in Cleveland, 264
——retail and footsteps, 22–29, 51, 60, 61, 68; operated with mathematical certainty, 23; business scatters when closed down, 28; newly opened, 29, 67, 68; in small towns, 31; on shady side of street, 43; when ratio of shoppers to traffic highest, 44; rents of, increased by "jay-walker" ordinances, 46; aided by lights, crowds, and music, 52, 53; should not be next to banks, 54, 55; sometimes require quality traffic, 55, 56; window displays of, 56; and street cars, 59–68; and transportation, 59–68; location of, 64; floor space of 71–76; frontage value of, 76; enlarged, means more buyers, 77; relation between increases of frontage of, and gain in receipts, 78; prices in musical dep't of a, 107; strives to do one of two things, 109; appeals to one class of trade, 109; method of advertising varies according to kind of, 118; busy days of, 118, 121; number of persons attached to, depends on advertisement, 120; time of day when most goods sold, 122; one, close by another, 124–126, 151; salesmen in, 130–142; and human nature, 143; buyer never buys neutral article, 146; suggestive grouping, in, 150; keeping doors of, open, 151; reason of failures, 161; and children, 199; and treatment of customers, 219; credit men, 250
——shoe, in Detroit or on Fifth Avenue, 77
Street, busy side of, 42, 43, 45; traffic on cross, 44; crossing intersections diagonally, 46; "jay-walker" ordinances, 46; one side of, busier, 47; lighted, stimulates trade, 53; and transportation, 59–68; character of, changed in Denver, 67
Style, change of, entails waste, 104
Suburbs, best location for a candy store, 30, 31; and brick gateposts, 187
Subways and pedestrian traffic, 61–66
Success and human nature, 140 184
Sugar, brown and white, 188
Suggestions made by salesmen, 135, 150
Sunsets, 107
Surety companies, 231, 233, 235, 237, 238, 242, 244, 245

T

Tact, 181
Taste and its direct opposite, 147
Tax, import, 15; income, 16; corporation, 16; on automobiles, 17; on club-dues, 18
Taxation, Committees of Legislature on, 13
Taxicab Company, 92
Telephones, in cigar stores, 27; weather and use of, 93; aid the farmers, 93; automobiles bought, by, 155; operators of, 218, 219, 263, 265; and the voice, 263; orders taken most successfully over, 264

Temperature, daily reports made by salesmen, 13; affects sales, 32; and its relation to soda sales, 33, 34; relation between crowds and, 36, 38; and advertising, 85; studied by ice companies, 92
Temptation and dishonesty, 231, 232; less in small town than city, 241; and occupation, 244
Theatres, relation of admission, attendance, and taxes, 15; McCoy's attendance calculation, 18, 19; facts about crowds in, 20; and candy, 30; and the weather, 90, 93; attendance at, 184; and imagination, 189; ticket sellers at, 229
Thistledown, cited as illustration of cause and effect, 1
Ticket-sellers, in theatre box-offices, 229
Tips, 112, 113
Title, pretentious and underpaid employee, 239
Toasters, electric, 183
Toledo author's experience in hotel in, 224
Towns, taffic greater on shady side of streets of, 42, 43, 45; traffic in, which lie to one side of main thoroughfare, 45; "jay-walker" ordinances, 46; percentage of people passing busiest corner in small, 46; reasons why pedestrians prefer one side of streets of, 47; east side of, preferred for residence, 48; stores in, and cities not affected alike by weather, 83; buyers from small, 160; storekeeper in small, and tendency to overbuy, 161
Toys, 196
Traffic, pedestrian, relation between and buyers, 3, 22–29, 31, 32, 34, 68; and shady side of street, 42, 43, 45; when largest, 43; when ratio of shoppers to, is highest, 44; on cross streets, 44, 45; in cities which lie to one side of main thoroughfare, 45; relation of, passed busiest corner and population, 46; reasons why is heavier on one side of street, 47; decreased by bank, 54; quality, *versus* ordinary, 55, 56; and street cars, 59–68; pauses where is snap and enterprise, 68; course of, through retail store, 71
Transportation and footsteps, 59–68
Treasury Department, Washington, D. C., 14
"Trick-stuff," 138
Tubes under the river and business, 67
Type and signs, 152

U

Understatement and overstatement, 117
Underwear, 114, 133, 144
Underwood Tariff Bill, 15, 16
United States, census of estimated by McCoy, 16; number of automobiles in, estimated by McCoy, 17; best location for cigar store in, 23; busiest corner in, 23

V

Vacuum-cleaners, 185
Value, made and taken away by footsteps, 57; showing, more important than having value, 101; and service, 133; land, increased by paint, 190
Vanity, costliness of, 95–113; playing on people's, 172
Venice, 50
Violins, 122

Voice, the, and average man, 260–267

W

"Walkaways" of the circus, 31
Wall Street, 50
Washington, D. C., Treasury Dep't, 14; peculiar corner in, 49, 50; restaurant in, 89
Ways and Means Committee, 15
Wealth, people of, pay bills slowly, 259
Weather, affects Sunday sale of papers, 2; and law of averages, 3; and restaurant business, 9; daily reports on, made by salesmen, 13; relation between crowds and, 36, 38; and human nature, 83–94; not considered by women when shopping, 85; unseasonable, 86, 92; seasonable, 87; equalizing trade a fight against, 87; surprises in study of business and, 88; and professional man, 89; and mail-order business, 90; and the farmers, 93; and women, 94
Weather Bureau, 85
Week, day of, and law of averages, 3, 32; days of, vary in candy and soda business, 34; days of, and business man, 36–38; bargain day of, 118
Wheat, size of crop of, affects business, 14
Widows and credit men, 254
Williams, Jim, 167
Window displays, 56, 60, 61, 75
Winter, candy sales in, 33; favorable time of year for large attendance, 38; busy side of streets in, 42; of industrial depression and skate sales, 127
Women, and law of averages, 3; and men, proportion who buy soda and candy 32; and men, proportion on Fifth Avenue, 43; and corner in Washington, D. C., 49; rain affects shopping, 84; superficial in buying, 85; and the weather, 94; and vanity, 97, 115; shop in afternoons mostly, 122; and shoes, 132; appealed to mostly by stores, 143; reached through senses, 145; and perfumery, 147; and hotels, 202; more honest than men, 245; and credit man, 250–255

Y

Youngstown, Ohio, 46
Youths and older men as risks, 245

ADVERTISING AND SELLING

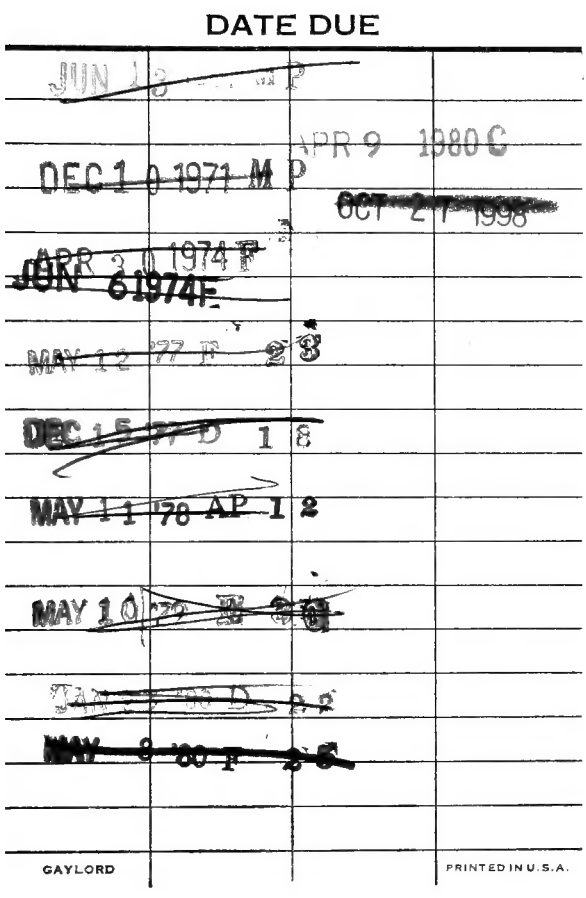
HARRY D. HOLLINGWORTH

HF
H74

CORNELL
UNIVERSITY
LIBRARY

BOUGHT WITH THE INCOME
OF THE SAGE ENDOWMENT
FUND GIVEN IN 1891 BY
HENRY WILLIAMS SAGE

DATE DUE



CORNELL UNIVERSITY LIBRARY
3 1924 082 456 447

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924082456447

ADVERTISING AND SELLING

6475
F54

ADVERTISING AND SELLING

PRINCIPLES OF APPEAL AND RESPONSE

BY

HARRY L. HOLLINGWORTH

INSTRUCTOR IN PSYCHOLOGY IN COLUMBIA UNIVERSITY, NEW YORK CITY; LECTURER IN BUSINESS PSYCHOLOGY, SCHOOL OF COMMERCE, NEW YORK UNIVERSITY.

PUBLISHED FOR THE ADVERTISING MEN'S LEAGUE OF NEW YORK CITY, INC.

D. APPLETON AND COMPANY
NEW YORK AND LONDON
1913

A.283721

COPYRIGHT, 1913, BY THE
ADVERTISING MEN'S LEAGUE OF NEW YORK CITY, INC.

Printed in the United States of America

PREFACE

This book has resulted from the coöperative attempt, on the part of a group of practical business men and one or two individuals whose interests were chiefly scientific, (a) to formulate and systematize those facts and laws which relate to the processes of appeal and response in the selling and advertising of goods, and (b) to undertake investigations which might result in the discovery of new facts and principles of both practical and scientific interest. This attempt has proceeded on the basis of four distinct aims, which it is well to have clearly in mind. These aims have been:

(1) To sort out, from the general body of psychological doctrine, such principles as underlie the mental processes involved in creating, presenting and reacting to appeals which are presented in the form of advertisements, arguments, selling talks, etc.; to state these in systematic form for convenient acquisition and reference by the active and prospective business man.

(2) To examine such various methods, media and devices as have proven clearly successful or

unsuccessful in known circumstances, places, and with different commodities, and to deduce and formulate any principles revealed by such comparative study.

(3) To carry on, in a coöperative way, new experiments and investigations, by exact scientific methods, and with the definite intention of helping to render the technique of the laboratory more and more serviceable in handling the practical problems of daily business life.

(4) To devise accurate and reliable methods of testing beforehand the probable value of appeals which are intended for actual use in advertising and selling, (a) by more exact study of the known principles of appeal and response and their applications in business transactions, and (b) by a comparison of laboratory tests with keyed results produced by the appeals in business campaigns.

The results of this coöperative attempt are presented in the chapters which follow. The first line of work will constitute the skeleton of the book, and the results of the other inquiries will be introduced by way of illustration and proof of the principles presented.

The book is intended primarily for the general reader and for the student with practical rather than theoretical interests. It does not pretend to present nor even to conform to any particular

"system" of academic psychology, but aspires to render more concretely serviceable, within a particular field, the accepted facts, laws and methods resulting from the experimental study of human nature and human behavior. But it is hoped that the professional student of human nature may also find the motive and method of the book to be at least suggestive, and in that sense valuable.

In its original form the book consisted of a series of lectures given, during several successive years, under the auspices of the Advertising Men's League of New York City. This fact determined the practical bearing of the material presented. It is quite impossible to give due credit to all whose work has been of service to the writer in this undertaking. From the practical point of view the suggestions and criticisms of the members and chairmen of the League Round Tables have been invaluable. On the scientific side, an attempt is made in the bibliography to indicate the chief sources which have been specifically utilized. But I must render particular thanks to the many members of my college classes whose zeal and labor have made many of the experiments possible. I am under especial obligation to Dr. E. K. Strong, Jr., at one time assistant in the Barnard laboratory, and since Research Fellow, in Columbia University, for the

Advertising Men's League and the National Association of Advertising Managers, for his constant interest and assistance, and for a great amount of data, more specifically referred to in the text.

But, above all, the very existence of the book, the opportunity of preparing it, and very much of such concreteness and value as the book may contain are due to the untiring activity and the stimulating professional ideals of Mr. Wm. H. Ingersoll, President of the Advertising Men's League. It was under his leadership that the Round Table Study Course was conceived and effectually organized, and through his suggestions and advice that the course on Principles of Appeal and Response was originally planned.

HARRY L. HOLLINGWORTH.

Columbia University,
New York.

CONTENTS

CHAPTER		PAGES
I.	MEASURING THE STRENGTH OF AN APPEAL Machinery Advertisements—Soap Advertisements—Electric Light Advertisements.	1–16
II.	THE NERVOUS BASIS OF MENTAL PROCESSES	17–27
III.	THE ANALYSIS OF TASK AND MEDIA . . . The Task — Analysis of Advertising Types—Media.	28–45
IV.	THE FIRST TASK: CATCHING THE ATTENTION Causes of Attention—Results and Laws of Attention.	46–59
V.	MECHANICAL INCENTIVES . . . . . . Intensity — Magnitude — Motion — Contrast—Isolation—Position.	60–90
VI.	INTEREST INCENTIVES . . . . . . Novelty—Color—Cuts and Illustrations—Suggested Activity—The Comic—Feeling Tone, Instinct and Habit.	91–126
VII.	AN EXPERIMENTAL TEST OF THE RELATIVE ATTENTION AND MEMORY VALUE OF THE MECHANICAL AND INTEREST DEVICES . .	127–131
VIII.	THE SECOND TASK: HOLDING THE ATTENTION Mechanical Helps—Interest Devices.	128–141
IX.	FEELING TONE OF FORM . . . . . . Lines—Closed Forms—Principles of Design.	142–157

CONTENTS

CHAPTER — PAGES

X.—Feeling Tone of Content 158–188
Character of Colors—Color Combinations—Color Balance—Feeling Tone and Imagination—Strain and Relaxation.

XI.—The Third Task: Fixing the Impression 189–215
Principles of Connection—Laws of Original Connection—Principles of Revival—Minor Devices—Memorability of Different Kinds of Facts—Trade Marks—Vicarious Sacrifices in Advertising.

XII.—The Fourth Task: Provoking the Response 216–236
Direct Appeals to Feeling—The Nature and Laws of Suggestion—The Laws of Suggestion.

XIII.—Instincts, Their Nature and Strength . 237–252

XIV.—The Relative Strength of the Chief Instincts and Interests 253–286
Summary.

XV.—Sex and Class Differences of Interest to Business Men 287–305
Sex Differences—Age and Class Differences.

Books and Articles Referred to in the Text or Recommended for Further Reading 306

LIST OF ILLUSTRATIONS AND DIAGRAMS

PAGES

Machinery advertisements 6, 7
Soap advertisements 12, 13
A long circuit appeal.....23
A short circuit appeal.....25
A classified appeal.....32
Publicity appeal 34
Publicity appeal 34
Display appeal 36
Display appeal 37
Forms of focal points of attention.....47
An experiment on attention.....57
Graphite advertisements 68, 69, 70
White on black.....77
Attention value of isolation.....79
Absence of counter attraction.....80
Novelty as an effective attention device.....93
The conventional 94
The novel 95
Curves showing visual acuity with lights of different colors 97
Chromatic aberration in the human eye.....104
Illustration as an attention and interest device....106
The use of illustration.....107
A strictly relevant illustration.....110

LIST OF ILLUSTRATIONS AND DIAGRAMS

PAGES

An irrelevant illustration....111
A remotely relevant illustration....111
Irrelevant illustration....112
Violating the law of the resting point....116
Illustrating the law of the resting point....117
The objective comic. The calamity....121
The objective comic. The naïve....122
The subjective comic. Play on words....123
The subjective comic. Play on words....124
Influence of repetition on the objective comic....125
Influence of repetition on the subjective comic....126
Figures appearing to change character....134
Cards from New York Subway....135
Securing unity through structure....136
An attempt to secure unity by mechanical means..138
The fine black line, suggesting precision and hardness....143
The broad black line, suggesting solidity and weight....144
Appropriate use of horizontal lines....145
Inappropriate use of diagonal lines....146
Feeling tone from direction of lines....148
Rhythm in design....152, 153
Balance of mass against vista....155
Mechanical balance of mass against mass....155
The law of balance disregarded....156
Harmonious coördination of subject, type and trade mark....167
Type faces suggesting refinement and delicacy of the texture....167
Inappropriate feeling tone....174
Feeling tone of associations inappropriately used..175
Strain....178

LIST OF ILLUSTRATIONS AND DIAGRAMS

PAGES

Relaxation 179

Use of lower case letters and of favorable length of line.....180

Illegibility resulting from the exclusive use of capital letters 182

Illegibility and strain is produced by too great variety of type faces, interrupted lines and ineffective spacing 183

Illustrating the ease of reading and feeling of relaxation produced by the use of lower case letters and by the presence of appropriate spacing 184

Forward reasoning—correct arrangement.....194

Backward reasoning—incorrect arrangement.....195

The curve of forgetting.....203

Relative attention value of fifty geometrical forms.213

General and specific appeals.....240, 241, 242, 243

PRINCIPLES OF APPEAL AND RESPONSE

CHAPTER I

MEASURING THE STRENGTH OF AN APPEAL

One of the first tasks of any science is that of devising methods of measurement. There could be no science of physics without the possibility of measuring forces, velocities, magnitudes, temperatures, etc. Experimental psychology arose only when men began to succeed in measuring the intensity, speed, uniformity and difference of mental and motor processes. In so far as salesmanship is to be scientific it must also evolve methods of measuring its materials.

Now the first step in any business transaction is the presentation of what we may call, for the sake of convenience and simplicity, an *appeal.* This appeal may take the form of an advertisement, an informal selling talk, or a more direct proposition such as a form or personal letter or circular, or it may consist merely in the knowl-

edge, on the part of the customer, that a given commodity possesses certain desirable qualities, will accomplish certain results, etc. It will be seen at once that all salesmen are not equally persuasive, all advertisements are not equally effective, nor are all qualities or results equally valuable. A question of prime importance, then, is: "How is it possible to determine the strength, the 'pulling power' of an appeal?" If such measurement is possible, this will be the first step in the application of scientific method to this field.

It is, of course, obvious that the relative strength of appeals may be measured by the determination of the actual results: the number of inquiries, the amount of sales, the cost per sale, the demand for the articles, etc. Attempts to make these measurements have always been made. The sales of each salesman have been checked up with those of others, advertisements have been keyed, by means of different addresses, street or box numbers, differently numbered catalogues, etc. The effects of changes in location, new methods of display, etc., have been judged by the subsequent changes in output. But two difficulties in the use of these methods are apparent at once.

In the first place it is exceedingly difficult to trace, with any precision, the actual effect of an appeal already presented. Innumerable disturbing factors complicate the calculation: the season, the medium, the activities of competitors and imitators, the method of sale (whether retail, wholesale, mail order, etc.), the effects of other means of publicity which may be operating at the same time, changes in styles, wants, and general prosperity on the part of consumers. Conditions are not under control and even inferior methods may occasionally be more remunerative, for the time being, than a more cautious attempt to secure the uniform conditions of trade, circulation, competition, etc., which would be required for a careful experimental measurement.

The second difficulty is that such methods are costly. All the measurements take place *after* the appeal has been presented, and expenses must be met regardless of the success or failure of the appeal. Coöperation might afford relief at this point were it not for two facts. The results of one campaign involving one commodity, one clientele, one set of executive and distributive operations, cannot be carried over bodily to another business venture in which all or several of these factors are changed. Further, business is com-

petitive, and successful methods are not proclaimed and communicated to all comers.

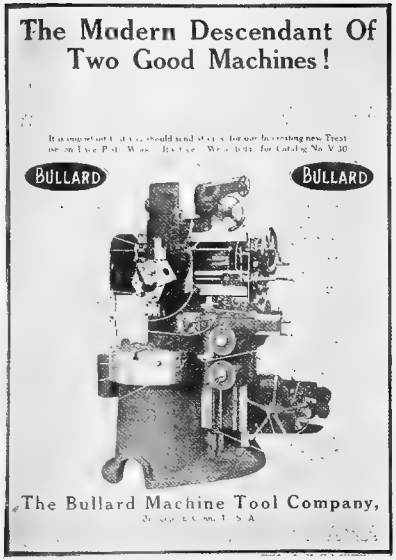
We must devise, then, not only a method of measurement, but a method which will permit of measurement *beforehand,* and which will be so flexible as to permit adaptation to widely variant circumstances. And since we are dealing with such subjective things as interest, feelings, persuasions, attention, choice, motive, action, belief, we cannot employ any objective scale such as the yard stick, the balance, the clock work, or thermometer. But we need not despair. In the psychological laboratory we find students measuring the intensity of sensations, the degree of attention, the strength of belief, the legibility of handwriting, the agreeableness of color combinations, the excellence of literary compositions, the eminence of scientific men, the humor of comic situations, and many other things which are no less subjective than the persuasiveness of a selling talk or the pulling power of an advertisement. It was in such a laboratory that the first successful attempt was made to measure beforehand the relative strength of such appeals as are commonly employed in business. In the following portions of this chapter descriptions will be given of some of these measurements, which were made

in my own laboratory, either by myself or by my students and fellow workers. In later chapters the various methods employed will be presented, and I shall further show how the application of such laboratory methods enables us not only to measure the strength of the appeal as a whole, but also to analyze it into its various elements. By means of such analysis we can determine the nature of these elements, the ways in which people of various ages and classes react to them, the deeper-lying reasons for these reactions, and can present in concrete detail the processes going on in the mind of the customer engaged in a business transaction.

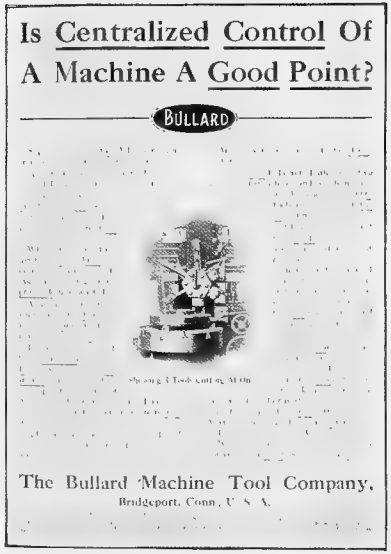
In the following accounts the general plan will be:

1. To secure measurements, by laboratory methods, of the probable relative values of various appeals. In doing this we must arrange for controlled conditions by restricting the appeals to the same commodity or type of article, and by keeping uniform, for the time being, such items as size, legibility, familiarity, etc. These factors will later be discussed, each in its proper place.

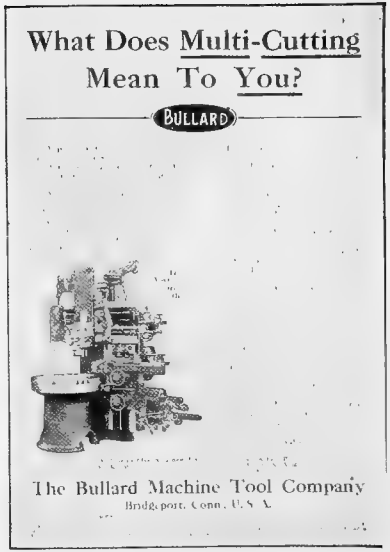
2. Having measured the appeals in the laboratory, we shall secure the actual returns or re-


The Modern Descendant Of Two Good Machines!
BULLARD
BULLARD
The Bullard Machine Tool Company,

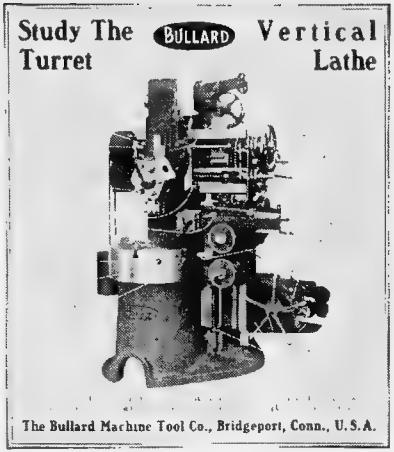
A


Is Centralized Control Of A Machine A Good Point?
BULLARD
The Bullard Machine Tool Company,
Bridgeport, Conn., U. S. A.

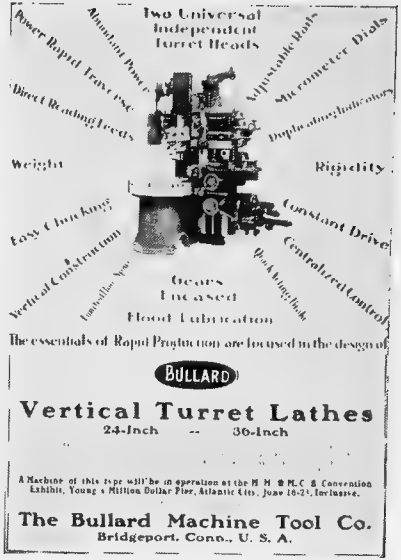
B


What Does Multi-Cutting Mean To You?
BULLARD
The Bullard Machine Tool Company
Bridgeport, Conn., U. S. A.

C


Study The Turret
BULLARD
Vertical Lathe
The Bullard Machine Tool Co., Bridgeport, Conn., U.S.A.

D


Two Universal Independent Turret Heads
Power Rapid Traverse
Abundant Power
Adjustable Rails
Micrometer Dials
Direct Reading Feeds
Duplex Indicators
Weight
Rigidity
Easy Chucking
Constant Drive
Vertical Construction
Controlled Control
Gears Encased
Flood Lubrication
The essentials of Rapid Production are focused in the design of
BULLARD
Vertical Turret Lathes
24-Inch -- 36-Inch
A Machine of this type will be in operation at the N M M & M.C.B. Convention Exhibit, Young's Million Dollar Pier, Atlantic City, June 16-21, Inclusive.
The Bullard Machine Tool Co.
Bridgeport, Conn., U. S. A.

E

sults which the appeals produced. Partly for this reason printed advertisements are chosen as material rather than letters, personal interviews, or the commodities themselves. The results will, however, apply as well to the various sorts of appeal already enumerated in so far as they have elements in common with the advertisement.

3. We shall then compare the laboratory measurements with the actual returns provided by the business concerns using the advertisements, in order to see in how far the actual results after circulation agree with the laboratory results which could have been determined beforehand. In no case were the actual results revealed until the laboratory measurements had been already made and announced.

MACHINERY ADVERTISEMENTS

The first series studied was a set of machinery advertisements shown in the illustrations on pp. 6 and 7. There are five appeals, of uniform size, each constituting an attempt to influence buyers or inquirers in favor of the same commodity. The following table shows the results of the laboratory test, the ten persons experimented on being seniors in an engineering school, thus represent-

ing the general class of people to whom such appeals would be directed in the natural course of business. If a given appeal was found to be the strongest for a given individual, it was marked 1 for him. If it was found to be the least persuasive, it was marked 5, and the intermediate positions indicate corresponding places in the order of strength. In the final column of the table is given the actual order of merit of these five advertisements, determined by the number of inquiries which followed upon each when run in the same medium. It is not necessary at this point to discuss two factors which will at once occur to the mind of every business man: the "cumulative effect" of successive appeals, and the "law of diminishing returns" which may operate when a series of appeals is presented to the same body of readers. These factors will be treated in their

TABLE I

Appeal	Ten different persons tested										Average	Order of Superiority by test	Order of Superiority by actual returns
A	4	3	2	3	2	3	4	4	4	1	3.0	4	4
B	5	5	1	4	5	1	1	1	1	2	2.6	2	2
C	1	1	3	1	4	2	2	2	3	4	2.3	1	1
D	2	4	5	5	3	5	5	5	5	5	4.4	5	5
E	3	2	4	2	1	4	3	3	2	3	2.7	3	3

proper places. They do not influence the significance of the returns in the case now under consideration.

If now the relative values of these appeals, as judged by actual inquiries produced, be compared with the order as determined by laboratory tests, it will be seen that the two orders agree perfectly. The tests showed C to be the strongest and D to be the weakest, and, as a matter of fact, C pulled forty times as many inquiries as did D, in spite of the fact that the cost of running and preparing D was six times as great as for C. The other appeals range between these two extremes. The testing of this series in the laboratory before their appearance would have resulted in the elimination of the weaker appeals, and consequently in increase of returns and diminution in the cost of publicity. The reasons for the striking differences in the strength of these five appeals will be made clear in subsequent chapters. Analysis leads to the discovery of differences and of principles which are true not only for the appeals in this series but for appeals in general. The point to be made now is that the laboratory test is a genuine and reliable measure of the pulling power of the different advertisements.

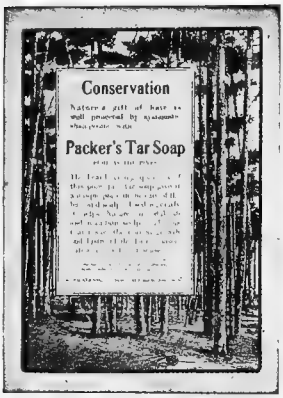
SOAP ADVERTISEMENTS

A second case of close agreement is shown in Table II. The series of appeals consisted of eight advertisements. Two laboratory tests were made, one on 25 people, and the other on a different group of 100 people. The advertisements are shown on pp. 12 and 13. The first column in the table gives the letters used to identify the advertisements. The second column shows the relative persuasiveness of the appeals as determined by the first experiment, the third column as determined by the second experiment. These two tests

TABLE II

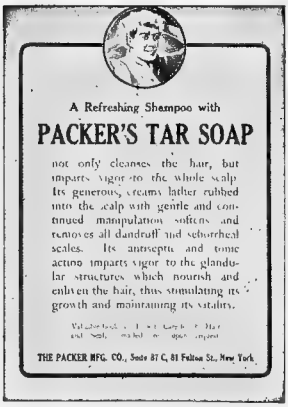
Appeal	Result of First Experiment	Result of Second Experiment	As judged by Pack'rMf.Co.	As judged by Advt. Agency
A	1	2	4	2
B	2	1	1	3
C	3	3	2	1
D	4	4	3	4
E	5	5	5	5
F	6	6	6	6
G	7	7	7	7
H	8	8	8	8

agreed perfectly except that advertisement A, which stood first in pulling power in the first test, stood second in the second test. The fourth column gives the relative order of merit of the ap-


Conservation
Packer's Tar Soap

A

B


A Refreshing Shampoo with
PACKER'S TAR SOAP
not only cleanses the hair, but imparts vigor to the whole scalp. Its generous, creamy lather rubbed into the scalp with gentle and continued manipulation softens and removes all dandruff and seborrheal scales. Its antiseptic and tonic action imparts vigor to the glandular structures which nourish and enliven the hair, thus stimulating its growth and maintaining its vitality.
THE PACKER MFG. CO., Suite 87 C, 81 Fulton St., New York

C

Packer's
Tar Soap
PACKER'S TAR SOAP

D

Packer's Tar Soap
For Baby's Bath

E

Packer's Tar Soap
PURE AS THE PINES
CLEANSING BEAUTIFYING ANTISEPTIC
THE STANDARD
FOR THE
HAIR AND SKIN

F

NO WOMAN
IS BEAUTIFUL
Packer's Tar Soap

G

PACKER'S
TAR
SOAP
EXQUISITE CLEANSER SOOTHING ANTISEPTIC
FOR THE
HAIR AND SKIN

H

peals, as judged by the manufacturing company concerned, on the basis of twenty years' experience. The final column gives the order as judged by three experts of the advertising agency which had charge of this firm's publicity campaigns. Each of these various orders was determined independently, and without knowledge of the results of the other orders. The agreement is almost as striking as it was in the case of the machinery appeals. A change in the grading of just one advertisement in each of the last three columns will make all four columns agree. It is apparent that a preliminary laboratory measurement affords real knowledge of the strength of such appeals.

ELECTRIC LIGHT ADVERTISEMENTS

A third example must suffice by way of merely illustrating the reliability of the laboratory measurement. Table III shows five electric light advertisements as measured first by laboratory test and second by the cost per inquiry produced. Appeals A and B are the best two by both measurements. On appeals C and D the two measurements agree within one place in the series. Only on E is there any considerable discrepancy.

TABLE III

Appeal	Order as measured by cost per inquiry	Order as measured by laboratory test
A	1	2
B	2	1
C	3	4
D	4	5
E	5	3

Many significant things are revealed in these experiments which enable us to formulate general laws as well as to test the value of the specific appeals. By way of illustration, it must suffice for the present to call attention to appeal B in the first experiment, that with the machinery advertisements. Notice that in Table I, where the measurements of each of the ten people are recorded, B stands either at the top or at the bottom of the series of five appeals—never in the middle. Except for two people this appeal stands either first or last, and these two exceptions are not real differences, for even here the positions are 2 and 4. This means that there are two types of people in the group studied. For one type appeal B is very effective, and these are, be it noted, the very people for whom appeal D is very weak. For the other group, for whom appeal B is weak, D is fairly strong. Each of these appeals B and

D, then, influences only one-half of the group of people. To secure a more universal appeal it would be necessary either to run both advertisements, thus doubling the cost of returns, or to construct a third type of appeal which should combine the virtues of B and D. Appeal C is as close an approximation to this ideal appeal as the series affords. Note that it stands fairly high for both types of people. Only in two cases does it stand below the middle of the series. These differences are not accidental nor peculiar to this series of appeals. They are found in many series and with every group of people I have had occasion to study. Explanation of these facts will be given in due time.

CHAPTER II

THE NERVOUS BASIS OF MENTAL PROCESSES

Every mental process, even that of being impressed or repelled by an advertisement or a salesman, has a nervous basis. We have many proofs of this dependence of consciousness upon the nervous system. Thus injuries to the nervous system affect our consciousness, as do drugs which act temporarily upon the nerve tissue. Many forms of mental disease are caused by destructive processes in the nervous system. Experimental physiology finds that certain areas in the brain are control centers for certain sets of movements and of higher sensory and mental processes such as seeing, hearing, understanding the meaning of words, associating ideas, etc. All of our knowledge depends on the possession of sense organs—eye, ear, etc., and these sense organs are only special modifications of parts of the nervous system. Finally, comparative anatomy shows us that in the animal series, from lowest to highest forms, increase in the complexity

of consciousness is always accompanied by increased complexity of the nervous system.

Consequently, any study of mental processes should take account, also, of the underlying nervous processes. Such an account not only aids greatly in the explanation of the mental processes, but also serves as a scheme or diagram which is useful in systematizing and remembering the mental processes themselves, their laws, and their relations to each other.

Considered from this point of view a man is simply a nervous mechanism, which is capable, on the one hand, of being sensitive to objects and events in the outside world, and, on the other hand, of responding to these impressions by the various sorts of movements which make up his reactions, his behavior. Sensation on the one hand and movement on the other, sum up his life. When the sense impression is very simple—a sound, or a flash of light—we call it a *stimulus;* when it is more complex—an invitation, a problem, a strange object, an argument or an advertisement—we call it an *appeal.* When the reaction is very simple we call it a *movement;* when it is more complicated, and perhaps involves many movements, we call it a *response.*

All mental life, then, can be analyzed into the

two simple elements of *appeal* and *response*. A motorman suddenly sees a danger signal and stops his car. The red light is the appeal, and his movement in applying the brakes is the response. We try to teach a child to talk. The object we point to is the appeal, his speech movements are his response. Even the little politenesses and civilities of social life, the conventionalities of the street, the seashore, the banquet table, are solely a matter of this or that response to this or that situation. What distinguishes the insane man from the rest of us is the fact that he responds wrongly or irregularly to the stimuli and appeals of the world in which he is placed.

In salesmanship the situation is quite the same. Given a certain salesman, a certain article, a certain set of advantages or arguments, this constitutes the *appeal*. The important factor remaining is the way in which the customer will *respond* to the given appeal. The operation of an advertisement, be it good or bad, is precisely the same process. The appeal here usually comes through the sense of sight; it consists, let us suppose, of a poster of definite size, position, color and composition, and it advances certain selling points for the article it desires to announce. Here is the sensory side, the stimulus. Now how does the

passerby react to the appeal? It may "catch his eye," he may read it through, and, either now or on a later occasion, buy the article. Or he may behave quite differently. The appeal may never come into his consciousness, in which case the poster is passed unnoticed. Or he may observe it, remark, "What a glaring, unsightly blotch of color!" and pass by on the other side. No matter which of these things he does, it constitutes his response—a response made up of movement and general behavior.

A pertinent question now is: What is the nervous mechanism of such a process; what happens in the nervous system when a man responds to a stimulus? Here, then, we must get some knowledge of the nervous elements, and some insight into the way in which these elements combine to form the complex nervous system.

The simplest nervous mechanism that can underlie a process of appeal and response is a combination of two nerve cells. These cells are minute structures with a main body and two sets of branches. The cells are situated for the most part in the brain and in or alongside the spinal cord. There are, in the main, two kinds of nerve cells, sensory cells and motor cells. The sensory cell sends one long branch out to the surface of

the body to some sense organ, as the eye, ear, finger tips, etc. The other branches of this cell are short, and run chiefly toward motor cells which lie at a greater or less distance from it in the brain or cord. These short branches are met by the short processes coming from the motor cell, which in turn sends its long fiber out to a muscle, in some more or less remote part of the body.

This arrangement constitutes what is known as a "reflex arc," because nervous impulses pass along it much as do electrical currents along a circuit. Nervous energy set up by the outside stimulus passes along the sensory fiber to the center, where it is transmitted to the motor cell and passed on out to the muscle, reinforced, perhaps, by energy from other cells that are acting at the same time. The result is a movement of the muscle. The response is caused directly, we may even say mechanically, by the energy generated by the stimulus. So the nervous element falls into two sections, a *sensory end which is the basis of appeal,* and *a motor end which is the basis of response.*

These pure reflexes are not usually accompanied by consciousness. The impulse simply passes into the spinal cord and out. Examples

of such reflexes are blinking the eye when struck at, sneezing, coughing, the heart beat, etc.

But this simple arc represents the lowest level of nervous activity, that controlled by spinal centers. In the human being we may point out two higher and more complicated levels, which involve in the one case the higher brain, or cerebrum, and in the other the lower brain area, the cerebellum, medulla, etc.

Thus some appeals do not lead to an immediate and reflex response, but require deliberation, comparison and choice. These higher thought processes, processes of reasoning, argument, and decision, depend on the activity of nervous centers in the cerebrum. The sensory impulse, instead of issuing from the cord at once, in the form of a motor impulse, passes over a more devious path. It runs up along the cord to the higher brain centers and sets up activity through processes which, on the side of consciousness, appear as memories, associations, trains of thought, judgments. Only after these processes have been brought to bear on the appeal, when the past experience, conscious knowledge, interests, purposes, and ideals have determined what sort of response should most profitably follow—only then does the reaction come. What the response will be, or when it will

come, can not be predicted from the outside, as was the case with the simple reflexes. The response may be delayed, its character is uncertain, and it may be quite out of proportion to the physical strength of the stimulus.

A Long Circuit Appeal

Such a process of appeal and response operates, we may say, by means of *the higher level.* It involves what we may call in the psychology of advertising and salesmanship *the long circuit.* It

is apparent at once that it corresponds to a well-known type of selling talk, the *reason why* copy which invites and presents careful comparisons and weighing of advantages and disadvantages, copy which consists of the candid exposition of *selling points.*

But there are objects in our experience which, although they do not provoke an immediate reflex response, are, nevertheless, reacted to much more quickly, uniformly, and strongly than those which operate over the *long circuit.* Thus, in looking over a book catalogue there are certain titles which immediately catch my attention and lead me to examine them closely. Other titles I may seem not to see. If I am out walking on a fine afternoon and see a baseball game in progress in a nearby field, I find myself stopping to watch it, quite as a matter of course and with no preliminary deliberation. If I am passing through a lonesome part of the city on a dark night and see a stealthy form slink behind a tree ahead of me, I *instinctively* reach toward my hip pocket or tighten my grip on my walking stick. So when the mother sees an advertisement that offers an article guaranteed to promote baby's comfort, or when an ambitious man sees a device described that will certainly economize his time or other-

wise increase his efficiency, he finds that, quite in an unpremeditated way, he has left off doing other things and is reading through the announcement or description. All of these responses, while perhaps not immediate, are, nevertheless, quick; they are strong, and we can be reasonably

A Short Circuit Appeal

certain in advance what their character will be. We will find that in such cases the object has appealed to some universal *instinct, interest* or *de-*

sire, or has awakened some strong *feeling.* Such appeals call into action centers which are prompt, powerful and definite in their response. Such a process, then, involves what we may call the *short circuit.* Such an appeal obviously, in turn, corresponds to a distinct kind of argument, the *display advertisement* or the emotional selling talk which does not argue but simply attempts to work on strong feeling, instinct or ideal. The range of such special appeals is exceedingly wide, for there are many objects in our experience toward which we all react by this *feeling* circuit, without stopping to ask why we so respond. Our reaction is determined beforehand, for the most part by the history of the race in dealing with these objects.

Generally speaking, it is true that the long circuit is determined chiefly by the past experience of the individual, the short circuit by the history of the race. All of us behave in both ways. The particular way in which we respond on a given occasion will depend on the character of the appeal, the commodity concerned, the type of the person, his age, sex, present activity, and a great number of other individual differences which it is the business of psychology to study, classify and explain.

The practical value of a study of human nature comes to depend on the fact that there are some *universals,* some ways in which all people are alike. When no such universal traits are found, there will be either types or classes, the members of which resemble each other, or the members of the race will be distributed according to a more or less bilaterally symmetrical curve, with the greatest number of individuals arranged about the average or central type, while others depart from this type both above and below, the number of people for a given character becoming less the further that character is from the type.

Here, then, is a concrete problem in salesmanship and advertising. For what sort of commodities and with what sort of people is the direct short circuit appeal effective; what objects and classes of objects can be effectively advertised and sold by an appeal to special feelings or instincts? And for what objects will the long circuit be employed, the *reason why* argument, most effectively? Some answer to these questions we may hope to get as we continue, answers based partly on our general psychological knowledge, partly on the concrete experience of practical men and partly on definite experiments now being performed in the laboratories.

CHAPTER III

ANALYSIS OF TASK AND MEDIA

THE TASK

We may analyze the task of an argument or an advertisement in terms of the reflex arc, for their operation is the same as the operation of any other stimulus. The process is always:

1. Stimulus catches attention, comes to notice, separates itself from other impressions.
2. The impression either (a) at once drops out of consciousness, or (b) holds the attention, i.e., becomes dominant in consciousness and causes adjustment of the perceiving organ for closer examination.
3. In so doing it arouses central associations, memories, interests, feelings, and becomes firmly attached to these; the impression is fixed, and remains as idea or image.
4. It leads to motor response. This response

is an essential factor in determining the final meaning of the appeal. Psychologically as well as commercially, the response is one of the most important elements in the whole process.

Always bear in mind that a sensory impression or revived image has its inevitable motor issue. This will be an important principle later on. We shall only mention it now. And remember that this response does much to determine the *character of the perception.* Observe this process when a fly lights on the baby's cheek, or when we run a sliver in our finger:

1. We say: "Oh! what's that? Oh! it's a sliver."
2. We carefully observe the sliver, locate it, observe its length, depth, etc.
3. By the *short circuit* we respond at once by instinctive movements, sucking, grimacing, pressing, etc.
4. By the *long circuit* we compare, remember, reflect, and either secure a jackknife or go to a doctor.
5. We remember the event and act more quickly next time by virtue of this mem-

ory and response. The object is characterized by the response.

An advertisement must go through the same process:

1. I see Ingersoll's watch advertisement with the many hands. I say: "Hello, what's that?"
2. I examine it, read it through with care.
3. But now comes the apparent difference between the advertisement and the ordinary stimulus. With the ordinary stimulus the response, we may think, is immediate. But it is not always. With lower forms of life this is true. But the chief difference between man and lower forms is in the retarded reaction. Even the response to a pin prick may be delayed and complicated. Such delay usually characterizes the response to an advertisement, and this constitutes one of the two chief psychological differences between *advertising* and *salesmanship*. Hence the impression must be fixated for delayed response, must be remembered, and given, in memory, preference over other advertisements for similar commodities.

4. Finally the appeal must lead to specific response, to favorable action toward the particular article or brand announced.

This analysis gives us the psychological tasks of an appeal. It will be advantageous to preface our study of these four tasks with a brief examination of the pure psychology involved in these four aspects of the reflex are:

1. In the first section we have to do with the psychology of *attention* and *perception.*
2. In the second with the psychology of *attention, interest,* and *feeling,* etc.
3. In the third with the psychology of *memory, association, emotion, mental imagery,* etc.
4. Lastly with *volition, habit, instinct, effective conception, imitation, suggestion,* etc.

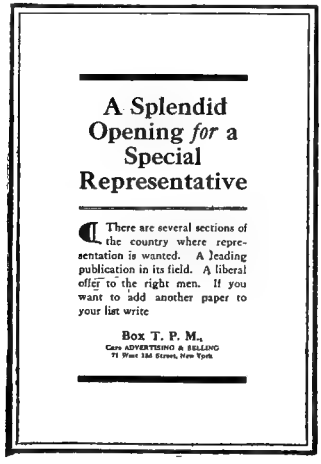
Before taking up the investigation of these four fundamental sections, we may with profit get a general view of advertisements in their different forms, see what the general psychological character of each type is, and inquire in which forms the psychological subtleties play a rôle, and in which they do not. Let us first examine the appeal with respect to its own purpose and charac-

ter, and then with respect to the medium in which it is found, for media as well as individual advertisements have their psychology.

ANALYSIS OF ADVERTISING TYPES

With respect to their quality and purpose, we may distinguish three chief types of advertisements.

I. *The Classified Advertisement.*—Here the psychological subtleties play their feeblest rôle.



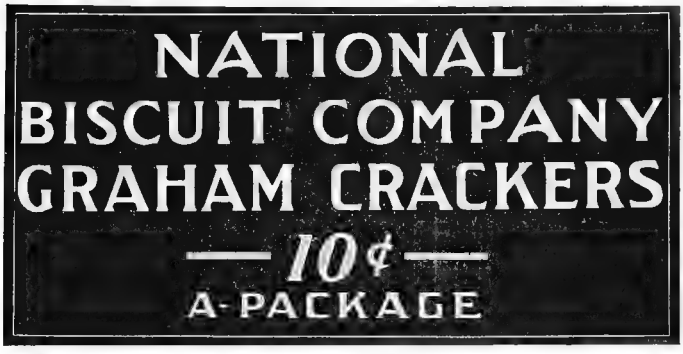
A Classified Appeal

The classified advertisement contains a simple announcement or invitation, intended only for those who are *a priori* interested in it. It will be sought

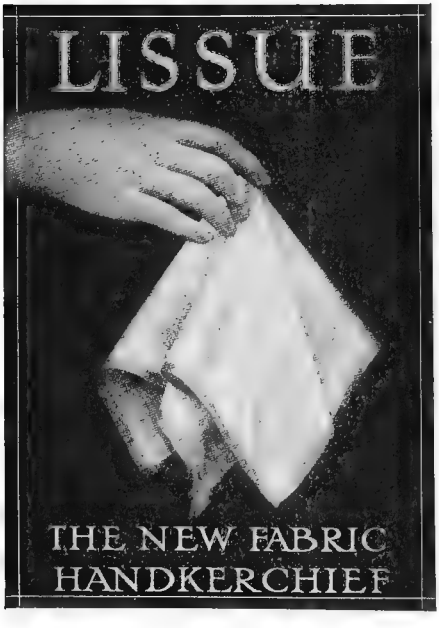
for by the proper person. In fact, you woul rather the other person did not see it. His cor respondence would only annoy you. You alread have attention and interest. You need not see for mnemonic qualities, for the right person wil surely make a memorandum of the matter. Yo will have no difficulty in provoking response. Th right person will respond without further incen tive. The only psychology involved here is th psychology of intelligibility. We must observe:

1. The psychology of expression—of clear accurate and succinct statement—and thi chiefly as a means of eliminating th wrong correspondent.
2. The ordinary psychology of typography— the laws of reading, spacing, position cataloging, color, legibility of type, etc.
3. The knowledge of media, which is not s much a matter of *a priori* psychology as matter of advertising technology and sta tistics. This is a separate field in the sci ence of business in which there is yet muc to be done.

II. *The Publicity Advertisement.*—This typ is not, strictly speaking, an advertisement at all i.e., it does not pretend to operate successively or



PUBLICITY APPEAL



PUBLICITY APPEAL

the complete arc. It is a public reminder, intended to reinforce informative appeals already issued or about to come. It usually seeks merely to familiarize a name or trade mark already known, or excite curiosity concerning a commodity about to be announced.

(1) Its psychology is usually mechanical—utilizing the principles of *size* and *contrast.*

(2) Its mnemonic psychology is also mechanical, utilizing chiefly the principle of *repetition.*

(3) But it also involves the psychology of *names,* that of *trade marks* and that of *the memorability of different kinds of facts.*

III. *Display Advertisements.*—In display advertisements the rôle of psychological factors is most prominent. The display advertisement explicitly takes the place of the salesman; it is a direct appeal, and is calculated to provoke a more or less direct, and more or less immediate response. According to its kind, it may work through the rational circuit or the feeling circuit. All parts of the arc are thus involved. It is consequently on this type of advertisement that we

will base most of our analysis, chiefly because of its ideal character. But all that is said of this

DISPLAY APPEAL

type will be seen to apply in greater or less degree to the two other types, and to all forms of business appeal which have elements in common with advertisements.

Papers Born of Necessity

EVERY "Eagle A" Water-marked Bond Paper is a paper with a reason—each was born of necessity—the necessity of having a paper which in quality, color and finish would best adapt itself to the needs of each individual user.

There is an "Eagle A" Bond Paper for the man who wants one million circulars and who figures the cost first; as well as a paper of distinctive character and exclusiveness, for the man who orders one thousand letter heads and who considers quality first and cost last.

"Eagle A" Bond Papers are not of one grade. They're of thirty-four grades. They are not for one use. They are for every use. But they are all of 100% value, whether it be a paper on which to address a bank president, or to write a memorandum to the office-boy.

To make each one of the 34 Bond Papers a Quality-plus Paper—to give to each a distinctive character and quality, color and finish—to Trade-mark the whole with the Water-mark of the "Eagle A"—and to place them within the reach of every paper-user, is a condition made possible only by twenty-nine mills, each making papers of necessity, but all united for the economic production and marketing of each particular grade.

Look for the "Eagle A" Water-mark. It's a good habit.

There are always things, the quality and elegance of which places them above the average—out of the ordinary, and the use of which lends prestige and added influence.

There are always people desirous of associating themselves with these things—the best of everything; appreciative people to whom quality in all things is paramount. To such

COUPON BOND

(For-Data Water-mark)

The De Luxe Business Paper

makes a strong appeal by its tone of character and refinement, its supreme quality and individuality. COUPON BOND is the consummate "Eagle A" Bond Paper made for those desiring the maximum of quality in business correspondence paper.

May we send you the portfolio of COUPON BOND specimen business forms? It will demonstrate how COUPON BOND may best serve your need.

Your Printer or Lithographer handles "Eagle A" Bond Papers. Ask him to show you samples. May we suggest an "Eagle A" Paper that would be best adapted to your needs?

AMERICAN WRITING PAPER COMPANY

5 Main Street (29 Mills) Holyoke, Mass.

Registered Trade-mark Water-mark

Registered Trade-mark Water-mark

DISPLAY APPEAL

MEDIA

With respect to media, we may briefly summarize the chief psychological characteristics, if only for the sake of having them stated. Every business man knows the points in a more or less defined way, and, indeed, with much more certainty than I do. But you will always find knowledge clarified by an attempt at expres-

sion. Expression discloses fallacies, shows up vague spots, and crystallizes truth.

We may roughly distinguish eight classes of media. The list is not complete in this day of multitudinous publicity devices, but the classes may roughly cover the field. Briefly, these classes are as follows, classified according to psychological character and situation:

I. *Newspapers, Magazines, Periodicals, Trade Journals.*—Here the appeal is more or less incidental to other matter contained in the medium. Everybody reads, and while reading may happen upon the advertisement. But the *essential* part of the medium is the other content. Generally speaking, if the appeal is to compete with this matter, it must vie with it in attractiveness and interest.

1. Studies (see Scott) of 2,000 *newspaper* readers show this to be especially true here. One-half of these Chicago men, from all ranks, read two papers daily, one-fourth of them read three, while 10% read as many as four. The average time spent on these papers daily is 10-15 minutes, though many people spend as much as two

hours. Only 4%, indeed, spent less than 15 minutes, while 25% spent more.

That news is the chief item of interest in papers is also indicated by Scott's table in which about 70% of interest goes to *news,* and only one-half of 1% *explicitly* to advertisements.

Obviously the successful newspaper advertisement must in some way compete with *news interest.* The classified advertisement does this successfully, for it is in itself an item of news to those for whom it is intended. This type of appeal, then, is psychologically adapted for newspaper insertion.

2. The display advertisement can, then, increase its power by becoming newsy. This point has already been emphasized by Kennedy in his chapter on "Advertising is News." This idea, again, is of course the basis of the well-known success of the Wanamaker news sheet in the dailies. The more the advertisement resembles *news* in its tone, the better it will compete in interest with other news items. The success of this competition is well illustrated by an incident which I quote on the authority of Edwin Balmer, who says in

"Science of Advertising": "One of the Philadelphia newspapers, which had published Wanamaker's advertisements for years, lost 20,000 circulation when the advertisement was withdrawn, and regained it again when the department store's patronage returned" (p. 20). It does not necessarily follow from what I have just said that newspaper advertising should imitate the form and style of news paragraphs. This would be too much like the old trick advertisements that began with some startling declaration which read like a news item but wound up by extolling Somebody's Bitters or Corn Salve. Advertising that attracts by deception is psychologically vicious. The point here is simply that newspaper advertisements should be informative in character, that they should really convey interesting news of stock, prices, styles, location, changes, sales, etc. The newspaper is thus specially adapted for local advertising.

3. The value of *magazines* as a medium is high, but of course depends both on the character of the magazine and on that of the subscription list. Scott observed 600

men in the Chicago public library, noticing what part of the periodical they were reading at the moment observed. He found 10½% of these men reading advertisements, and remarks that probably few did not look at the advertising pages before leaving. A prominent advertising expert, knowing the Chicago library, remarks that these results are not typical of general circulation, that libraries are always full of loafers who never buy and seldom read, but who come in to pass away the time by looking at the pictures. Concerning trade journals, little need be said. Appeals here much resemble classified advertisements. They reach a selected class of readers, those for whom they are intended, and are often, by this very fact, full of news interest of a business kind.

II. *Circulars, Hand Bills, Posters, Bulletin Boards, Electric Signs, Placards and Signs in Street Cars.*—The news interest is largely absent here, and for two reasons:

1. There is no news interest to be contended with.

2. Their size or duration forbids the news interest type for lack of space or time.

For such media the *publicity appeal* is hence psychologically adapted with its simple purpose and mechanical method. Perhaps the chief exception is to be found in the case of car advertisements. In the average city, each inhabitant, it is said, averages 10 minutes daily in street cars. As to number of people—in 1902, five thousand million cash fares were collected from passengers on street cars in the United States, besides passes and transfers. For the past year the New York subway averaged over 1,000,000 passengers daily.

Appeals here have longer time to impress themselves than in papers and magazines, and the average passenger is unoccupied. Hence, there is not so much need of devices for *catching* attention, and more room for use of logic, persuasion, affirmation, beauty, etc., than in other places. But there is more need of devices for *holding* attention because of competing cards. The effect of a suggestion is determined not only by its *force* but by its *duration* as well.

III. *Size, Form, Decoration, Color, and Illumination of Store, Comfortable Service, Waiting Chairs, Courteous Attendance, etc.*—This is a

more or less indirect form of solicitation, but a very successful one, other things being approximately equal. It is an indirect appeal to the *feelings* exclusively, hence is a distinct psychological type of advertising.

IV. *Printed and Stamped Novelties, as Lead Pencils, Paper Weights, Note Books, Calendars, Knives, Rulers, Tapes, Toys, Puzzles, etc.*—The value of these depends on their *utility,* which ensures their constant observation; their *appropriateness,* which should reinforce the mere name; and their *distribution* to the right parties, those who do the buying. I have heard of a leather wallet handed out by one John Bauer, grocer, which amply fulfilled its purpose, and led its owner time after time to John Bauer's counter. I recall, also, quantities of cheap memorandum books advertising Hostetter's Bitters which always found their resting place in the street or stove. It is probable that this medium, if carefully handled, is capable of good results and in the adequate form is not sufficiently utilized.

One of the strongest points in it is the element of *good will* created by a gift. We instinctively feel approval of the man who gives us something, and the psychology of *good will* in the novelty could be developed at great length. This is the

basis of the old idea of salesmanship *à la carte,* and though the idea is being abandoned by salesmen, this is not because it was not good in its day. It needs a rest, and soon will be as effective as ever. A good discussion of the principles underlying this type of appeal may be found in Bunting's "Specialty Advertising."

V. *Registers, Directories, Theater Programs, etc.,* Resembling Class II.—Advertisements here do not hope to compete in interest with other contents of the medium. They utilize moments of monotony or other incidental moments. The advertisements, for instance, in the directory cannot hope to compete with the reason for opening the book. They are read while waiting for "central," while waiting for the curtain to rise, or for the porter to bring in the baggage. Hence publicity or reminder will be their chief aim, except in so far as they are classified advertisements: hotels, restaurants, garages, liveries, etc.

VI. *Delivery Wagons, Street Banners, Floats, etc.*—These are commonly used for emphasizing places of business, for invitation, or for mere publicity, but also can be utilized for atmospheric effect, hence resemble Class III.

VII. *Samples, Catalogues, Agents, Traveling Men.*—The firm here comes directly to the buyer.

There is little or no question of attention. The personal element of the appeal usually guarantees initial attention and also has much to do in determining the further course of the response.

VIII. In a separate class we may include the personal communication, the form letter, the "follow-up" literature of booklet and pamphlet. This form of solicitation seems to constitute a connecting link between public advertising and the direct work of agents and salesmen. There seems at present to be some uncertainty among advertising men as to whether such appeals should so far as possible simulate personal correspondence, or whether, for instance, the form letter should be frankly impersonal. This is not a point on which *a priori* opinions have much weight. Experimental tests are needed before any safe conclusions can be drawn. An "armchair psychology" could easily specify and generalize and dogmatize here, but an experimental science must wait for more data.

Having taken this general view of the situation, let us now consider the four tasks, and study the psychological factors involved in each.

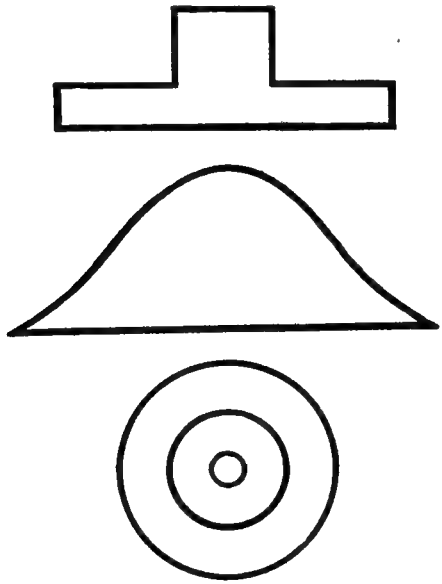
CHAPTER IV

THE FIRST TASK: CATCHING THE ATTENTION

Attention may be defined in two ways: (1) As *an act of adjustment*—or we may speak first of the act of attention. This is what happens when we take notice of a stimulus. It is almost synonymous with perceiving, and means that the given stimulus has become clear, and that there has been an act of accommodation in the sense organ employed—eye, ear, finger tips—which tends to bring about still clearer perception.

(2) This is the point at which we plainly distinguish attention according to its second definition—as a *state of consciousness,* or the state of attention. This attentive state is characterized by the dominance of one idea, image, impression, or a set of these and the subordination of all others. Consciousness always has a focal point, and this focal point is always occupied by the thing to which we are attending at the time. We may represent this state by some such figure as a wave, the crest corresponding to the focal point

and the slope corresponding to the margin of the field; or we may liken it to the field of vision which always has a fixation point which is clear and a margin which is obscure. The following figures will serve as examples:



FORMS OF FOCAL POINTS OF ATTENTION

The matter of attention is not wholly an arbitrary one. The individual consciousness does not deliberately decide what shall be attended to and what not by an act of will. If it did the field of

advertising and selling would find itself astonishingly limited in its field of effective appeal.

But the act of attention is largely controlled by heredity, past experience, mood, interest, and character of the individual. Far down in the scale of animal life we can detect the rudimentary basis of what we call attention. There we call it "prepotency of stimuli." We find these lower forms indifferent and unresponsive to many forms of stimulation, but reacting vigorously and quickly to others. These "prepotent stimuli," we find, are highly important in the life of the animal concerned, although, so far as we know, he is utterly unaware of their significance. Thus, the cock-roach always retreats from the light toward the shadow, while the moth leaves darkness for light, even singeing its wings through the irresistible attraction of the flame. The young chick pecks instinctively at certain kinds of objects, the new-born kitten is attracted by certain impressions of touch and smell and reacts to them. Even among the microscopic animals tropisms are found—certain strong and apparently mechanical reactions of approach and appropriation directed toward certain colors, objects, temperatures, etc.

So in human consciousness, not all stimuli become effective. The phenomenon of *adaptation*

clearly shows this. We soon become adapted to the presence of the hat on our head, the clothes on our back, even to the pebble in our shoe or the temperature of the stoking room. We are constantly passing things without seeing or hearing them. We come in from the night and do not know whether or not the stars are out, whether or not the evening train just came in, whether or not we locked the door behind us. There are two reasons for this apparent obtuseness:

1. *The range of attention,* which we shall later see to be extremely limited, so that at any given moment we can attend to a very few things only, being oblivious to or only vaguely conscious of all else that is happening.
2. *Attention follows interest.*—Generally speaking, we attend to things because they interest us or have some vital import in our lives. We cannot attend to things that do not have, from one point of view or another, *interest* for us, for all that we mean by the interest which a thing has is its power to attract us, to lead us about and to direct our action toward it.

There are two kinds of interesting things:

A. The first kind includes things which are interesting only because of their consequences—their immediate or remote results—such stimuli as the creaking of an axle, a sudden flash of light, the report made by a bursting tire, palpitation of the heart. These things have no intrinsic interest; we do not care to sit and contemplate them for their own sake. But they may mean some danger, they may require some act of adjustment on our part, etc. These incentives to attention we may describe by the word *mechanical.* To such stimuli we attend only until we have learned their significance, have discovered whether or not their consequences are to be important. Then we turn at once to things which may be in themselves interesting. Only children and savages are interested in these mechanical incentives for their own sake. We shall see later that this type of incentive is well represented in current devices for advertising and selling goods.

B. In contrast with this group of mechanical incentives stands another type of appeal which is in and for itself interesting—a baseball game, a battleship, an advertising speech by the Mayor, a Hecker's food advertisement, the rainbow, a gorgeous sunset, may serve as examples. Ap-

peals of this sort we may designate *interest* incentives. Irrespective of any consequences, either immediate or remote, we find these things interesting, intrinsically interesting. We not only attend to them initially, but our attention is held by them through many consecutive moments or hours. And this type of appeal we shall also find represented in current appeals employed in the business of distributing goods.

CAUSES OF ATTENTION

There are four principal ways in which attention may be brought about:

(a) By increased relative intensity of the stimulus.
(b) By the intrinsic interest of the stimulus.
(c) By accommodation of the sense organs to be used, so that the incoming impression may be received to best advantage.
(d) By preperception—anticipatory preparation, from within, of the ideational centers to be employed when the stimulus arrives.

Attention is often classified as voluntary, involuntary, and spontaneous. These forms are

clearly seen to represent only different combinations of the four methods just enumerated. Thus voluntary attention is brought about by methods (c) and (d). Involuntary attention is that produced by method (a), and spontaneous attention that effected by methods (a) and (b). It is apparent that advertising can employ only two of the four possible methods of attracting attention, namely those two methods by which spontaneous attention is brought about. It follows, then, that these two methods must be used as effectively as possible. It is, of course, further true that when we come to the second task, that of holding attention, we shall see that voluntary attention may also come to play an important part.

RESULTS AND LAWS OF ATTENTION

Before further analyzing these methods of intensity and interest, let us learn what the result of attention will be when we have once secured it. The results of attention will determine to a great degree the nature of our next inquiry: "How can an appeal attract attention?" Before we turn to advertisements in particular, what are the results or laws of attention, in general?

I. *The process attended to becomes clearer and more distinct than others.* This is well illustrated

by attention to the hidden figure in a puzzle-picture. Attend to the figure, it looms up clearly, while the rest of the picture fades into the obscure margin of consciousness. Attend to the background, on the other hand, and this in turn becomes sharply defined, while the hidden figure is blurred.

II. *The process attended to becomes more intense,* especially if it was originally very faint. Attend to a very faint light or a sound—a star or the tick of a watch—or attend to a particular instrument in an orchestra. The stimulus attended to becomes not only clearer but it seems to be louder as well.

III. *The process attended to becomes increased in duration,* especially when it is otherwise very short. Moments of time, if attended to, pass slowly. The long drawn out diminuendo of a violin may seem continued after the actual vibration has ceased, especially if the suggestion is reinforced by continued movement of the bow. The headlines which compel strong attention or the cuts that attract the eye persist in consciousness according to the degree of attention bestowed upon them. Because they persist longer they have greater opportunity for association with other experiences, and hence are more likely to be recalled

than some other processes attended to less intently. This result is closely related to the next law.

IV. *The process attended to rises more quickly into consciousness* than do other processes entering simultaneously. We can illustrate this by the "complication experiment" of the laboratory. If in this experiment a sound and flash of light are so arranged as to occur at the same moment, they will seem not synchronous but successive, the one attended to appearing to precede the other. Under this law we may also put the general fact that at a subsequent time, if there is occasion to recall the process, the one attended to most strongly tends to recur more quickly and easily than others.

The foregoing related laws are both theoretically and practically important. From them it follows not only that an appeal should be able to attract attention, but that, other things being equal, it should attract as much attention as possible. For the appeal compelling the strongest degree of attention will be clearer, more intense, and more active than that less strongly attended to. As we shall see later, the power of a suggestion depends not only on the fact of attention but also on the degree of attention.

V. *Attention is the basis of every will-act,* and the only basis. Every idea or impression has its inevitable motor issue. Nervous energy, once generated, must be liberated, discharged, over an outgoing pathway. Just what pathway is taken is immaterial so far as the nervous system is concerned. It follows, then, that the response to the stimulus which is strongly attended to drains off the energy generated by marginal stimuli, with the result that this response is strengthened. This is the basis of an act of will or choice. It is the fundamental principle of response. When two processes divide the field of attention between them, each tends to set off its appropriate response. The result is two weak responses, or, if the two stimuli are antagonistic, no response at all. If my attention now shifts from one to the other, I vacillate, am weak-willed, undecided. But the moment that I attend exclusively to either idea, its motor consequences ensue at once, and I have responded to the suggestion. I have willed. This is the fundamental law of suggestion and response. Every idea, if attended to exclusively, tends to realize itself in action. We will have this principle before us again when we come to the third task of the appeal.

Do not be impatient with this prolonged analy-

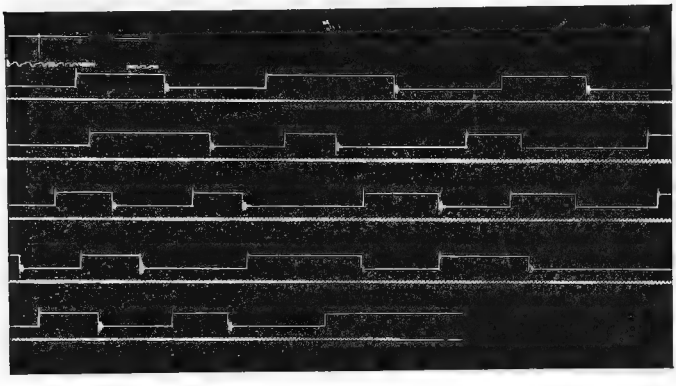
sis of the attentive state. We are trying to get at the very bottom of the principles of appeal and response, and this rather abstract examination is essential to the more concrete things that are soon to follow. To discuss many other extremely interesting results would be to go too far afield for the purposes of this book. But there are two more principles that must not be omitted. From the practical point of view they are the most important of the seven. They cover not so much the results of attention as they do the behavior of attention itself.

VI. *This law is that attention fluctuates,* comes in beats or pulses; the state of attention is of short duration. Our consciousness cannot remain intent on one object or idea. It must roam about, much like a bird flying from bough to bough. It cannot remain on the same bough constantly. It must, after a given time, leap over to another bough and then return, or else it must shift its position on the same bough every so often, changing from one foot to another or facing about or lighting on various parts of the same perch.

The length of these waves or pulses of attention is usually about four seconds in our experimental researches, two seconds coming to the crest and two seconds dying away. Much work is be-

ing done by modern experimentalists to discover the neurological reason for this rhythm of attention. It constitutes a fascinating field of modern investigation. But, here again, to go farther would be to digress.

I show you here the record of such a laboratory experiment, taken by one of my students.



AN EXPERIMENT ON ATTENTION. The wavy line marks off fifths of seconds. When the straight line is on the low level, a faint visual stimulus was in the field of attention. The high level indicates the disappearance of the stimulus from attention.

This law of attention will be our chief concern when we come to the second talk, that of Holding Attention.

VII. Finally, in this abstract analysis, we must include the general law that *the range of attention is limited.* We may distinguish here between

the *focus* of attention, and the *margin* of attention. You will all remember in this connection that five acts have long been recognized as the artistic limit for a drama, five feet for a line, and preferably five lines for a stanza, five chief characters in a dialogue. And these are all cases where one has the sympathy of the reader from the beginning. In framing the artistic solicitation for his eye, it is better to be on the safe side and allow, say, one fact to the focus, one to the field, and one to the margin. But it may be said here that it is five *units* that can be compassed in a single act of attention. If I expose five or six small dots for a fraction of a second you can report their number correctly, but more than that many you cannot perceive accurately. You can, however, see five letters, each composed of dots, just as easily, and even five words, if the words are familiar enough to be perceived as units.

These facts have a very practical bearing. They mean that the ideal headline should not contain over five units. Usually these units will be single words. But as a matter of fact a sentence can be grasped as a whole providing it can be broken into, say, four phrase units of perhaps four words each, or, preferably, three. If I say, "The proper length for a comfortable sentence is felt to be

about sixteen words," my sentence is seen to be thus constructed. It has four phrase elements of three or four words each, and the sentence is easily grasped as a whole. But if I say, "By a careful experimentally conducted investigation of the laws of attention, psychologists have been led to conclude that the most favorable sentence length for the average reader is, under ordinary conditions, approximately sixteen single words," you are dismayed by the length and structure of the sentence. It falls to pieces, requiring more than one effort of attention. We may say, then, that nine to sixteen words make a clear and easily read sentence. That is, of course, only an approximation. The actual number in any given case will depend on the ease with which the single words group themselves into phrase units. But good headlines will seldom be found with more than nine and usually not more than five words. We shall have a great deal to say about this law of attention when we come to consider the second task.

CHAPTER V

MECHANICAL INCENTIVES

So much for the state of attention itself. Let us now turn to the concrete ways of bringing it about. You will recall that the advertisement can only work through spontaneous attention, and that this state can be brought about by two means: (1) By the *relative intensification* of the stimuli. Under this head comes the group of methods which we have designated *mechanical devices.* (2) By the *intrinsic interest* of the stimulus. This group we classify as *interest incentives.* Naturally and inevitably, through the very structure of our nervous systems, we attend to stimuli of these two kinds. The basis for their power over us lies either in the physiology of all nerve tissue, in the inherited results of remote ancestral experience, or in our own peculiar past history and desires for the future.

Of the two groups, the mechanical devices, although the chief means employed by past and even by most contemporary advertising, are the least

potent and in many cases are futile, so far as real returns are concerned. I have often been asked to state what in my opinion would be the next advance step in advertising. I should say that the most effective change for the better that could be made is the change from mechanical devices to interest incentives. But the mechanical devices are much used at present, and will probably always be employed to a greater or less degree; and for certain types of advertising mechanical devices are effective. The mechanical devices fall into six chief classes according as the method used is a variation of *intensity, magnitude, motion, contrast, surrounding* or *position.*

1. INTENSITY

Other things being equal, we will, of course, attend to the strongest stimulus. We listen to the shrillest newsboy, the loudest barker at the side show, just as we let the thunder distract us from the chirping of crickets. But this is not due to genuine interest in the strong stimulus. A strong stimulus causes nervous shock and is likely to constitute or indicate a source of danger to the organism. Those of our ancestors who failed to notice intense stimuli perished in avalanches, tornadoes, etc. Only those survived

whose nervous systems were sensitive to abrupt changes, and they passed their constitution on down to us. Besides, a strong stimulus means much physical energy impinging on our sense organs, and this sets up strong nervous currents which force their way inward in spite of our wishes. Fortunately, however, advertising has but little use for this device. Advertising is chiefly a visual matter, still more chiefly a matter of printing, and the range of possible intensities in printing is very slight. The intense lights of an electric sign, the brilliant colors of a billboard placard may force us to look in their direction. But they may force us just as quickly to look away again. They may attract attention, but they lack the power to hold it. All advertising that depends for its success on the mere noise it makes, on the sheer intensity of its horn, is likely to find the two to be in inverse ratio. Only savages and children, as we have said, delight in intensity of stimulus for its own sake. Savages beat their tom-toms and children pound and kick from delight in the activity of a sense organ, and perhaps also because their undeveloped senses do not get the same degree of sensation from the intense stimulation that we do.

The rumble of the elevated train never attracts

my attention unless it interferes with my present activity, and even then it does not attract but repels me. But the plaintive squeal of some old woman's hand organ, the whistle of a fraternity brother, some curious brogue in the speech of a passerby, some comic incident of the street, attracts me at once in spite of its mildness. A man slipped on the icy walk the other day. He made no noise, but slipped down softly and flatly. The negro garbage collector who happened to be passing saw him just as he was clambering to his feet again. "Do it again," shouted the driver of the garbage wagon, "I didn't see you that time." This trivial incident had greater attention value with the driver than did the roar of the traffic around him.

The noisy honk of the automobile does not attract you but gets you out of the way. The intense stimulus means danger. The soft siren call on the automobile had to be abandoned, not because people would not attend to it, but because they did not run away from it. If you want to appeal to children and to savages, then, you may use the intensity device with some degree of effectiveness. For civilized people and grown-ups the blaring seldom attracts attention beyond itself.

2. MAGNITUDE

Much has been written concerning the relative attention value of small and large spaces, cards, signs, cuts, type, etc., in advertising, and several suggestive attempts have been made to study the matter experimentally. The opinion of advertising men seems to point to proportionate increase in values with the amount of space used. The use of full-page advertisements has increased, as Scott has shown. Thus in 1892 the *Century Magazine* contained only 18 per cent. full-page advertisements as compared with 43 per cent. in 1908. There is also a tendency to use two page "spreads" more and more.

Scott tested over 500 people, giving each the same magazine (*Century*), asking them to "look it over" in a general way, but not to read long articles or poetry. After having examined the magazine for 10 minutes, each was asked to write out all he remembered of all the advertisements he had seen. The same investigator also made up a magazine by choosing 100 pages of varied advertising pages from a large number of magazines, so as to get variety of material, size, form, type, etc. These pages were then bound together along with reading matter and 60 adults

were asked to "look through" the magazine, for an average time of 10 minutes. Each then mentioned each advertisement remembered, gave its contents, and was then again given the magazine and asked to indicate all the pages now recognized as having been seen before.

The results of these experiments were as follows: In the number of times the advertisement was mentioned from memory, in the number of times it was later recognized, and in the number of times it conveyed definite information as to the general class of goods advertised, the specific name or brand of the goods, name and address of the firm, price, etc., the rule was general that the full page was more than twice as effective as the one-half page. The half-page was also more than twice as effective as the quarter-page, and this in turn more than twice as effective as the eighth-page. Scott's general conclusion is: "The attention and memory value of an advertisement increases as the size of the advertisement increases, and the increase of value is greater than the increase in the amount of space used."

But Scott points out the fact that the *quality* of the advertisement, that is its content, is even more important than its size. Indeed, it is quite probable that the increase in value with increase

in space, in these experiments, was chiefly due to difference in the contents of the space. A large advertisement is likely to be different from a small one in things other than mere magnitude. The large space permits the use of pictures, of suggested action, removes competition by monopolizing space, and also makes possible greater contrast and clearness. It is probable, then, that the increased value of a large space in these experiments came not from the mere fact of magnitude, but from the presence of *interest* incentives which the magnitude makes possible, but of course does not necessarily involve.

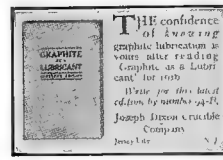
When the content of the space is kept constant in character and interest there is no evidence that the increase in returns is nearly so great as the increase in space and cost. Of course, the larger advertisement will be more likely to be seen, but it must be seen and read twice as much or more than this to justify the increase in cost, if a whole page is compared with a half page. Time after time the results of mail order advertising are said to have shown only an increased cost per reply when greater space was employed. The writer has on hand sets of advertisements in which the character of the content, the medium, and the commodity advertised have all been kept constant and

the returns measured by the number of inquiries for booklets, etc. The results from these sets suggest a more or less definite law of increase under such circumstances, namely: *the number of inquiries tends to increase as the square root of the amount of space used.* That is to say, use four times the space and you double the returns; use nine times the space and you treble the returns, while to quadruple the number of replies would require sixteen times the amount of space, other factors remaining constant. Some such law of increase may, in fact, be supposed to operate in the case of all the mechanical incentives.

This is an interesting point, psychologically, for it falls in line with what is known in the laboratory as the psycho-physical law, according to which the sensation produced by a stimulus does not increase in the same ratio as does the increase in the objective intensity of the stimulus, but much more slowly, approximately as the square root of this intensity. We know that, in many other fields beyond a certain point this law of "diminishing returns" holds—to double the amount of coal consumed does not double the speed of a boat; nor can twelve laborers produce, from a given limited area of land or a given factory equipment and floor space, twice the produc-

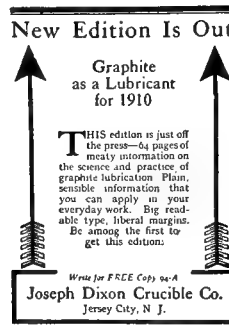
tion of six laborers working under the same conditions.

The following series of Graphite advertisements indicates a similar law. These appeals ap-



AD. NO. 1—32 REPLIES. ⅛ PAGE

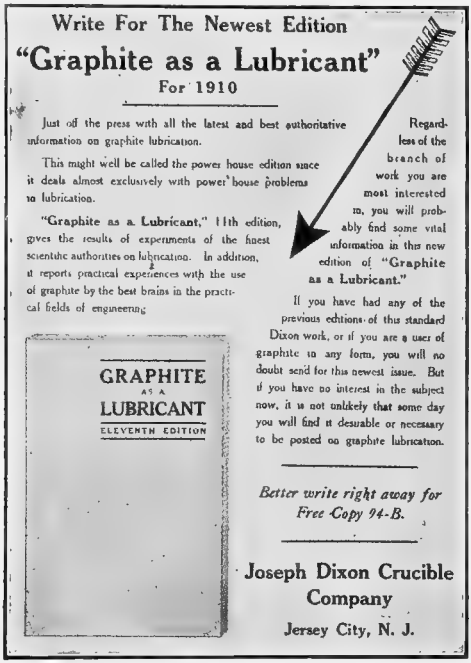
peared under the same conditions of commodity and medium, and all three rely on the same general type of attention device. No. 1, an advertisement occupying one-eighth of a page, brought



AD. NO. 2—32 REPLIES. ¼ PAGE

32 replies. Several others of the same size and type brought from 21 to 42 replies. No. 2 presents the same appeal, with perhaps a somewhat

better layout, so far as initial attention value is concerned, and it occupied one-quarter page, twice the amount of space occupied by No. 1. But it



AD. NO. 3—75 REPLIES. FULL PAGE

brought only the same number of replies. No. 3, very similar to both 1 and 2 in general content, but occupying a full page, brought only 75 replies. That is to say, it is four times the size of

No. 1, but brought only twice as many replies, as we should expect, under the square root law.

Of course if the style of the appeal is changed, these results will vary correspondingly. Thus No. 4, which introduces an *interest* incentive (picture, suggested activity) is no larger than No. 2, but

AD. NO. 4—186 REPLIES. ¼ PAGE

brought 186 replies. This last appeal will be referred to again under the section on suggested activity.

Münsterberg has recently reported experiments designed to measure the value of large spaces, appearing once, as compared with that of smaller spaces appearing often enough to make the final space occupied equal in both cases. Based on the total attention and memory values, the relative values are as follows:

Full page, appearing once	.33
Half page, appearing twice	.30
Quarter page, appearing four times	.49
Eighth page, eight times	.44
Twelfth page, twelve times	.47

On the basis of the chances of the advertisement being included among the first 10 remembered, in time, the values are:

Full page, appearing once	0.5
Half page, appearing twice	1.2
Quarter page, four times	2.9
Eighth page, eight times	2.3
Twelfth page, twelve times	2.4

In general, that is to say, the small spaces repeated are more effective than the large space appearing but once. Of course, these values are not entirely dependent on the difference in space, but also upon the factor of *repetition,* which is in itself a form of mechanical device, if the appeal is attended to when repeated.

Further information bearing in this same general direction is afforded by several experiments conducted by Dr. E. K. Strong, Jr., Research Fellow in Columbia University, for the New York Advertising Men's League and the National Association of Advertising Managers. Perhaps the only argument in favor of magnitude is that advanced by some practical advertising men, to the effect that the additional prestige and suggestion

of prosperity conveyed by the large space employed tend to create a favorable impression in the mind of the reader.

So far as the experience of the psychologist goes, mere magnitude possesses the same defect as does mere intensity, and to even greater degree. The large object does attract initial attention. Unusually large things possess a certain importance in the life of any animal; they are likely to be dangerous, unmanageable, to be avoided, etc. Therefore, the first appearance of a mammoth billboard or electric sign will attract attention. But as soon as the real character, the harmlessness, of the thing is learned, it will be passed by unnoticed, just as are the Singer building, the Metropolitan tower, the *Imperator,* and the enormous signs and displays of the Great White Way. Magnitude in advertising is probably of real value only in so far as it makes possible certain more genuine interest appeals.

The question of size of type has also received frequent discussion and investigation. Gale found progressive increase in attention value with increase in size of type from two to six millimeters. He gives the table on page 73:

Scott studied two kinds of type with the same body, but one of which had light and the other

heavy face. What he tried to discover was the time required to read these two kinds of type and the number of errors made in such reading. For the light faced type the total time of six observers was 147 minutes, the number of errors 132. For the heavy face, the total time was 129 minutes, the

TABLE IV

Height Type	Relative Legibility, Per Cent.		
	Men	Women	Average
2 mm	8.7	11.6	10.1
4 mm	20.2	15.8	18.0
5 mm	27.7	27.5	27.6
6 mm	43.0	45.0	44.0

errors 91. Such legibility tests should be carried further. But it must not be supposed that legibility and attention value are the same thing. It is in general true that the more easily type can be read the more agreeably will the people read it. But they will not be likely to read it just because it is legible. Under a given set of conditions a certain type size, a certain spacing and massing will be most favorable. But adequate tests of this matter, from the practical point of view, have not been made. More will be said on this topic in another connection.

The writer would, then, be inclined to stress the

futility of mere size as an effective advertising device. On psychological grounds the small advertisement with *intrinsic interest* of some sort or other—color, cut, action suggested, comic, appeal to special instinct or feeling or value, will be more effective, and less expensive as well.

3. MOTION

The third mechanical incentive to attention is that of a moving stimulus. An object in motion has much higher attention value than a stationary thing. This is true far down in the animal scale. One may approach very close to a wild animal so long as one's accessory movements are inhibited. A squirrel may perch on my hand, but the slightest movement of a near-by object suffices to send him scurrying. Hold your finger, for instance, in the edge of your field of vision; you are not able to see it, but wriggle it a little and its image becomes at once distinct. Psychologically there are two reasons why this should be true. One is an interest reason, viz., the fact that moving objects are more likely to contain in them possibilities of good or evil. Hence from earliest experience moving objects have become of unusual interest and significance for us. The second reason is a mechanical one, viz., that sensation is

only consciousness of change. We become rapidly adapted to a constant stimulus so that we fail to notice the weight of our hats, the temperature of the room we are in, the odors of the subway. But the moment a change occurs it is detected, because it involves fresh and unfatigued sensitive surface. So keen is our sense of movement that we can detect the motion of a point on the skin long before we can tell the direction in which it is traveling. This is the basis for the high attention value of rotating barber signs and display shelves, shifting bulletin boards, moving pictures, flash lights, moving frames in shoe and hat stores. The Old Dutch Cleanser in Harlem, and the Heatherbloom petticoat sign are instances of the initial value of movement, as are running lights and serpentines. The use of movement is certainly one of the most effective of the mechanical incentives, but it has in common with all mechanical devices the fault of failing to hold attention when once it is caught, and the further defect of rapidly undergoing adaptation. You must not confuse the actual use of movement with the somewhat related principle of suggested action. Nothing has higher attention value than the reproduction of a fellow creature in action. But this is much different from the crude use of mere mo-

tion of an inanimate object. It is strictly an interest incentive and will be considered fully under that heading.

4. CONTRAST

The next important mechanical device is that of *contrast.* Because sensation is the consciousness of change, any great or striking difference in the intensity, size, color or character of the stimulus produces an unusually vivid consciousness. The gradual appearance of an electric sign would pass unnoticed, but the alternation of its sudden illumination and disappearance at once attracts the attention. In the same way a striking difference between foreground and background has strong attention value, and black on white, blue on yellow, red on green are the most striking combinations of color, because the two members of each pair are contrasting in color. A small man and a large woman, a Shetland pony harnessed alongside a draught horse, would have a similar attention value. So, in looking through the advertisements of a magazine, any sharp departure from the usual appearance of the pages in size, form, color, style of type, content, size of type, kind of cut, possesses strong attention value. And in our day of manifold advertisement

pages this is an important item. The defect of the contrast incentive again is that of all the mechanical devices. To be effective it must be reinforced by an interest incentive, or else it fails to hold the attention it has gained by sheer force.

WHITE ON BLACK

The writer has frequently been asked why black on white attracts more attention than white on black. The contrast is apparently the same here, and the principle of irradiation would lead us to expect just the opposite result. The reason is

probably that we habitually associate *dark spaces* with objects and *light spaces* with background—with air, opening, sky, water, etc. It is always the positive, active features of our environment, the *objects,* to which we give special notice. Backgrounds have no particular importance except as they set off objects. So when black letters are seen on white the letters attract attention. But when white letters appear on black, they seem to be merely *holes* in the *object,* which is now the dark part. Hence we do not attend to the form, etc., of the letters. So far as acuity and legibility go there is no difference between the two arrangements.

5. ISOLATION

Closely allied to contrast is another factor —the *absence of counter attraction.* Consciousness is never empty. If it were it would not be consciousness. This means that we *must* attend to *something,* and, for the most part, to something in the outside world. In the absence of counter attraction consciousness fixates the one thing in the field. The value of monopolizing the whole space, of eliminating competing appeals by employing plenty of white space, etc., has its basis

here. Little more need be said. The difficulties with this device are: (1) that we quickly become adapted to its artificial character, (2) that there

ATTENTION VALUE OF ISOLATION

is always more than one field open to consciousness, and it is necessary to make the page, wall, side of the street, etc., have some *intrinsic* interest before the absence of counter attraction in that particular field has a chance to work.

ABSENCE OF COUNTER ATTRACTION

6. POSITION

The final mechanical device is that of *position*. Because of certain habitual fixation tendencies of the eyes in reading and observing, certain positions on a printed page, a bulletin board, etc., have greater attention value than others. Thus, in

Gale's experiments the left side of the page was found to have greater attention value than the right. This result would follow from the tendency to begin on the left and read to the right, so that in a quick exposure such as Gale gave the left side would have the advantage, and especially so since he studied the page when it was taken out of the magazine and presented as a flat surface. Starch experimented with nonsense syllables placed in different positions in a pamphlet of twelve pages. On the third and eighth pages the same syllable occurred. Fifty people looked through the pamphlet and then wrote out all the syllables remembered. Of those occurring on the left side of the page 44 per cent. were recalled, while 56 per cent. of those on the right were recalled. This contradicts Gale's results.

The experiments are complicated by the fact that in reading the eye has a second tendency to fixate the object in each hand—the part of the page held at normal reading distance. This will be in magazines, and especially in newspapers, the two outside columns, one of which is on the right, the other on the left. Starch's experiments further erred in using such unusual and artificial things as nonsense syllables which vary greatly among themselves in attention and memory

value. From general knowledge of the laws of reading and eye movement, however, I will venture to prophesy that in flat surfaces the left side will be found to be most favorable, in newspaper pages the *outside* spaces, that is, the left on the left-hand pages and the right on the right-hand pages, while on magazine pages there will be little difference found.

A second question relating to position concerns the relative value of the top and bottom of the page. Psychologically there are two factors that work here:

(1) We tend to find *meaning* in the top of things, the faces of our fellow men, the branches of trees, etc. We begin to read at the top of the page. Further, in reading, experiments show that the upper part of the printed letters is more significant than the lower part and that the eye does not run along the middle of a printed or written line but rather along a line between the middle of the small letters and the tops of the high ones, that is, a line somewhat above the center.

(2) In fixating a general object, especially a work of art, a picture, wall, etc., there is a constant tendency to fixate the center. This gives us

the best view of the object as a whole and also enables us to perceive its unitary structure, balance, proportion, etc.

Here are, then, two tendencies. The result is a compromise, in which the space between top and center has greatest advantage. Experiment confirms this result. Thus, in Starch's tests, the value of the upper half of pages was 61 per cent., as against 39 per cent. for the lower half, when the page was divided into quarters. When it was divided only into halves the same law held, the values being, upper half 54 per cent., lower half 46 per cent. Gale, studying flat surfaces, divided into horizontal quarters, found that the quarter just above the middle was strongest, and the bottom weakest.

Finally, in this problem of position there is the question of preferred pages. The fact of preferred pages is recognized by magazine rates, but the policies here are quite discordant, some making great and some relatively small extra charge for preferred positions. Starch studied this problem using nonsense syllables with his twelve-page pamphlet. He found the following results:

DATA

Total number recalled	261
Average number on outside cover recalled	34
Average number on inside cover recalled	26
Average number on other pages recalled	17

This indicates the outer cover to be twice as effective, and the inside cover to be half again as effective as the ordinary inside pages.

Using real advertisements instead of the syllables, the results were: preferred positions, average 19.2 times; non-preferred positions, average 6.5 times. But these figures are highly unreliable because the advertisements themselves differ greatly in attention value, familiarity and interest. Furthermore, all the inside pages are lumped together, with no attempt to discriminate between, say, page 3 and page 7, or between back half and front half of the pamphlet. Moreover, the value of other preferred pages, such as those next to the reading matter, is not considered.

The following figures resulted from a preliminary experiment performed by one of my students. A magazine containing 10 pages of advertising matter in the front section and 10 in the back section was chosen. A set of trade marks (geometrical forms of solid black and of approximately the same area) was affixed, one to the center of each of these pages. The relative attention value of each of these forms, when all were seen under the same conditions, was determined by a careful experiment with 25 people. After this had been done it was possible to allow for the dif-

ferences in attention value, due not to the page itself, but to the form which it happened to carry. Thus, if the form on page 3 was found to have 2.5 times the attention value of the form on page 7, the results from page 7, when multiplied by 2.5, might be supposed to be absolutely comparable with the results from page 3, and any difference between the two, after this compensation had been made, would reflect nothing but the relative attention value of the two pages themselves. The experiment thus attempted to conform to the first requirement of a scientific experiment (curiously neglected in reported tests of advertising values), namely, that the only variable factor be that which is being specifically investigated, or that, if other factors vary, this variation be also measured and reckoned with in the valuation of the final returns. The set of trade marks, with their relative attention value, will appear in another connection.

A group of 25 subjects was then allowed to look through the magazine for a limited time, without being told the purpose of the experiment. Each subject took the magazine from a shelf of books, and looked through it in his own way. He was later presented with a complete set of 50 geometrical forms and requested to pick out the

20 forms that he had previously seen in the magazine.

The results were then transformed into comparable quantities, in the manner just described, and in this way the relative attention value of the various pages, when the magazine was handled in this way, was determined. The following table resulted:

TABLE V

Front Section	Value in Per Cent.	Back Section	Value in Per Cent.
Page		Page	
1	34.4	11	48.6
2 or 3	44.2	12 or 13	21.5
4 or 5	38.0	14 or 15	31.5
6 or 7	43.9	16 or 17	30.4
8 or 9	39.1	18 or 19	32.4
10	69.0	20	20.0

Average of front section, 43.4; average of back section, 30.0.

Several facts are clearly evident here:

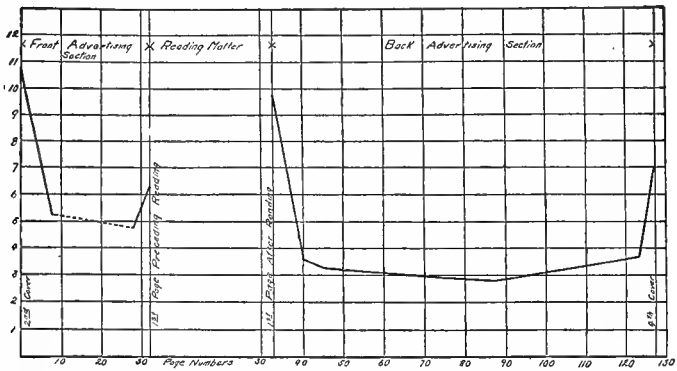
1. The value of the front section is almost 50 per cent. better than that of the back section.
2. The best page of all is the page next to the reading matter in front (page 10, 69 per cent.). The next best is the page next to the reading matter behind (page 11, 48.6 per cent.).

3. The front cover (page 1) and the back cover (page 20) turn out to be the poorest pages of the whole twenty.
4. Aside from the front cover and the page next the reading matter, all the front pages are of about equal value, when the section is limited to 10 pages.
5. Aside from the back cover and the page next to the reading matter, all the back pages are of about equal value.

Here are a number of experimental facts that are in striking contrast with the common theories of preferred position. To be sure, the results cannot, without further verification, be transferred to conditions other than those in which the experiment was performed. But other tests seem to indicate that all the rules which hold in this experiment also hold when the sections are much larger, when actual advertisements are considered instead of geometrical forms, and when the magazine is taken home and read in the ordinary way.

The following curves give the results of an elaborate experiment performed by Dr. Strong, for the purpose of determining the relative value of preferred pages in a larger magazine than the

small one employed in the case of the experiments I have just described. This experiment conformed even more closely to the conditions of actual reading habits. The procedure is described



RESULTS OF ONE OF DR. STRONG'S TESTS ON ATTENTION VALUE OF DIFFERENT ADVERTISING PAGES IN EVERYBODY'S MAGAZINE. The figures at the left represent the percentage of 137 women who noticed the advertisement in the various pages. The figures across the bottom indicate the number of the page in the advertising sections. The advertisements on the covers were not considered. For example, the advertisement on the page opposite the second cover was noticed by 10½% of the women tested, the advertisement on the page just preceding reading matter by 6¼% of the women, the advertisement on the page just after reading matter by 9¾% of the women, and the advertisement on the last page opposite the third cover by 7% of the women. Contrasted with these preferred pages we find but 2¾% of the women noticing advertisements in the neighborhood of page 88—the center of the back advertising section.

by Strong as follows: "A professor assigned his class as necessary reading an article in the September issue of *Everybody's Magazine*. Each member of the class was supplied with a copy of

the magazine, and was allowed to keep it one week, after which time it was to be returned to the class room. Each person was then given an envelope containing all the full-page advertisements that had appeared in the issue and a good number of others from another issue. They were requested to look through these and select those they remembered as having been in the magazine. One hundred and thirty-seven people were thus tested, ranging in age from 18 to 50. A number were married, and all were in the Domestic Science Department of Teachers College, and especially interested in problems of the household. Many are right now the buyers for homes, and most of the remainder are qualifying to become so in the near future.'' These results are seen to confirm all the generalizations based on the earlier experiment, except that, because of the length of time which the magazine was used, the cover pages came to have higher value than was accorded them in the earlier tests.

This completes our study of the *mechanical incentives,* their characteristics, laws, and relative values. In general we may say that these incentives are crude and unsatisfactory. After having discussed the *interest incentives* in a similar way, I shall give an account of an interesting

demonstration and proof of the inferior value of the mechanical group. The essential thing about a successful appeal is that it shall be able to sustain the attention it has once caught, and the mechanical incentives in themselves fail to do this. Only attention based on interest is likely to be held long enough for the suggested idea to realize itself in action. The *interest incentives,* then, are the effective ones. A study of these factors we are to take up in the next chapter.

CHAPTER VI

INTEREST INCENTIVES

Interest incentives fall under the headings of eight chief principles. These are the most effective devices for catching the attention in a permanent way. Their chief strength is derived from the fact that the *feeling of interest,* which is essential to *sustained attention,* is the very basis of their initial attraction value. These eight incentives are the appeal through:

1. Novelty: bizarre effects, unusual devices and statements.
2. Color: brightness, tone and harmony.
3. Illustration: cuts, photographs, sketches.
4. Action: suggested activity on the part of persons or things.
5. The comic: pictorial and verbal humor.
6. Feeling tone: pleasantness, excitement, strain and their opposites.
7. Instinctive response: any appeal to a fundamental instinct.

PRINCIPLES OF APPEAL AND RESPONSE

8. Effective conceptions: appeal to established habits and ideals.

1. NOVELTY

The basis of the value of novelty as an incentive is twofold. Recall the extreme importance, in the lives of our ancestors and in our own experience, of unusual objects, new situations, unaccustomed stimuli. The organism is perfectly adapted to familiar objects, but strange ones can only set up disturbed or random responses, and hence cause the feeling of shock. We are startled by the novel. It is full of interest to us both on account of the *danger* it may contain and on account of the *good* it may afford. Hence we always attend to it closely when we discover it. This incentive is closely related to the *instinct of curiosity.* Curiosity is merely the name for our interest in the unknown or unfamiliar. Throw a strange object into the field and the horses and cattle will circle around it, sniffing, poking and snorting until they seem to have discovered all the possible sources of activity to be anticipated from the object. If the object shows no new traits, but behaves just as the old familiar objects in the pasture, the cattle soon scatter away

and are hereafter unconcerned about it. But if it shows any new or unwonted characteristics, the

the thing is sufficiently curious, the observer is likely to keep his attention fixed until the advertisement has been thoroughly digested.

NOVELTY AS AN EFFECTIVE ATTENTION DEVICE. This also illustrates an important principle of PERCEPTION, *viz.*, that one "sees" not so much what the sense organ affords but rather what the present stimulus has been *learned to mean*. Sensation is supplemented by perception. In the above picture only parts of the objects are given in sensation, but the objects are nevertheless perceived as wholes.

animals are interested in it for days and may be observed constantly examining it. The same is true of a child with a new toy.

Herein lies the strong attention value of all devices designed to arouse curiosity—bizarre figures, cuts, shapes, grotesque faces, novel forms and arrangements, new type faces, curious spell-

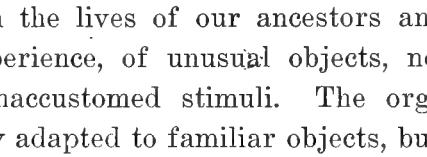
Missing Page

Missing Page

ing, unusual location or positions, catchy names, trade marks, unfamiliar media, such as kites, sky-

1. NOVELTY

The basis of the value of novelty as an incentive is twofold. Recall the extreme importance, in the lives of our ancestors and in our own experience, of unusual objects, new situations, unaccustomed stimuli. The organism is perfectly adapted to familiar objects, but strange ones can only set up disturbed or random responses, and hence cause the feeling of shock. We are startled by the novel. It is full of interest to us both on account of the *danger* it may contain


and see these quaint patterns and tones--shape and cut equally new.

For the conservative customer--everything dignified.

Prices from $15 to $40.

New Neckwear to harmonize with the color of the overcoat.

are extreme--very ultra radical--plus, and let it go at that.

They are only for those who appreciate the very newest fashion.

For the man of quiet taste everything in correct conservative lines.

Overcoats $-- to $--

Suits $-- to $--

Our New York Resident Buyer sent in a few new and odd Persian designs in neckwear.

THE CONVENTIONAL

have frequently carried on advertising campaigns based on the novelty incentive, introducing unheard-of specialties and stunts into the service. Newspapers, politicians, purveyors of foodstuffs, publishers, clothiers, dealers in every commodity except perhaps large staple products, machinery,

etc., use this incentive to advantage. The element of novelty attracts the attention initially, and, if the thing is sufficiently curious, the observer is likely to keep his attention fixed until the advertisement has been thoroughly digested.

EXTREMES MEET.

"It's only an extreme type of people who carry a fashion to its extreme limit."

This winter we've carried out the ideas expressed by the "Clothier and Furnisher"

"Dignified clothing cut on conservative lines will be the selection in demand for winter."

Our suits and overcoats while embodying all the novel features in cut and fabric are in the common-sense, becoming, fashionable class.

Suits $15 to $40.

Overcoats $15. to $45.

It's time to turn those negligee shirts out to grass.

October is the time for the stiff bosom shirt to be firm in its demands on your attention. We have 'em in short bosoms, so now all the old discomforts are avoided. Try 'em.

Prices.--

Unique designs in new fall neckwear.

Special display now.

THE NOVEL

If possible, the novelty should be intrinsic, not simply obtruded as an attention device. In the illustrations given, this latter situation is very likely to be the case. A good example of effective and intrinsic novelty is the assertion made by the advertisements of 3-in-1 Oil: "Men shave with

it." The Brownies, Gold Dust Twins, Sunny Jim, the Herpicide cards, etc., may be cited as attempts to employ the novelty device for purposes of attention.

The chief danger in using the novelty incentive is, of course, that of emphasizing the novelty rather than the product.

2. COLOR

The *use of color* for advertising purposes depends chiefly on the strong and lasting interest that all living beings have in color. The lower animals develop gorgeous plumage during the mating season, when the attention received is a chief item in the life of an individual. The savage will barter his weapons and choice possessions for bright red blankets or a chain of tinted beads. The most civilized of us loves to adorn himself with modulated hues and harmonious color schemes. Moreover, colors differ greatly in their influence. Far down in the scale of living things can be seen color preferences more or less physiological in kind. Microscopic animals are attracted by some colors, repelled by others. Bulls and frogs, with their well-known reaction to reds, illustrate the point.

The red-yellow end of the spectrum, generally

speaking, is warm and active. It is stimulating, exciting, sometimes irritating. The green-blue end, on the other hand, is cold and passive. Its action is in general depressing, quieting. To "have the blues" is a popular expression suggest-

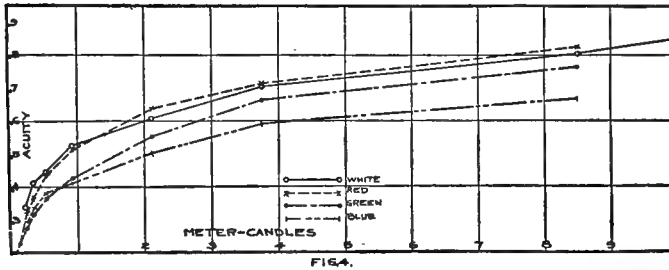


FIG4.

CURVES SHOWING VISUAL ACUITY WITH LIGHTS OF DIFFERENT COLORS. These curves are taken from an important study of "Visual Acuity with Lights of Different Colors and Intensities," by Dr. D. Edgar Rice, of the Department of Science and Technology of Pratt Institute. Dr. Rice remarks, "As to the effect of different colors upon acuity it is quite clear that whatever differences exist are in favor of the colors at the red end of the spectrum. . . . The red and the white illuminations yield approximately equal acuity, while both are considerably higher than the green. The acuity with the blue illumination is the lowest."

ing this relation. This is more than a question of imagination and sentiment. It is a demonstrable physiological and psychological fact that the red end is dynamogenic in its influence, that is, that it increases and reinforces activities going on in the system, while the blue end inhibits. The accompanying diagram gives a set of curves showing the relative legibility of type under the same

intensity of illumination by different colors. Colors, then, if used discreetly or harmoniously, attract the eye, and, what is equally important, hold it. We do not tire of agreeable color combinations. We revel in them, contemplate them again and again, look for them on other occasions and point them out to our friends. But the colors must be properly employed or they may not only fail to hold the eye, but may actually repel it.

A significant fact is that of preferred colors. Elaborate statistical studies on men and women students in New York, Minnesota, and England disclose certain interesting differences in color preference. There is, of course, a considerable range of individual differences, and the results would be greatly modified by changes in the use to which the color might be put. Comparison of the different investigations is so interesting that I give here a summary, prepared by one of my students, of the principal results of several of them.

1. Grant Allen studied the color preferences shown by savages, securing the assistance of missionaries in various lands. He gives the following order as the result of these inquiries:

1. Red
2. Yellow
3. Orange
4. Blue
5. Green

2. Baldwin studied the color preferences shown by a young baby, on the basis of the color reached for when variously colored papers were placed before it. He gives the following order of preferences:

    1. Red
    2. Blue
    3. White
    4. Green
    5. Brown

3. Winch investigated color preferences of 2,000 school children in London, with the following order resulting, for both boys and girls:

    1. Blue
    2. Red
    3. Yellow, falling lower with increased age and intelligence
    4. Green, rising higher with increased age and intelligence

5. White
6. Black

4. Gordon, with only a few subjects, studied the influence of background, securing the following orders:

On Black	*On White*
1. Red	1. Blue
2. Yellow	2. Red
3. Green	3. Green
4. Blue	4. Yellow

5. Studies of students in Vassar College yield the following order of preference:

1. Blue
2. Red
3. Green
4. Yellow and Orange

6. Wissler, from his study of Columbia men and women students, deduces the following table. His results show that yellow was preferred more by the younger students than by the older. With age, he concludes, the preferred color passes on down toward the violet end of the spectrum. Combining this result with those shown in his table, we might conclude that, in so far as

the data are reliable, the younger the person the nearer the red end of the spectrum would be his or her favorite color, and also that children and women would prefer reds, while men and older women would show greater fondness for blues.

TABLE VI

(*Wissler's Table*)

Color	Percentage of Men Who Like It	Percentage of Men Who Dislike It	Percentage of Women Who Like It	Percentage of Women Who Dislike It
Red.....	22	7	42	8
Orange....	5	25	8	31
Yellow....	2	32	5	8
Green.....	7	15	9	21
Blue.....	42	12	9	23
Violet.....	19	8	19	9
White.....	3	1	8	0

Taking these studies as a group, the following points are to be noted. The reds and blues stand high for educated people, the orange and yellow standing low. For children and savages just the reverse is the case. Yellow falls in the development of the race and also in the development of the individual. No very striking sex differences for order are shown, but the figures show considerable differences for amount. It is a further

general principle that the most saturated colors are preferred.

Besides the strong attention value of colors, there are certain other advantages in its use which might as well be briefly enumerated while we are on the topic.

1. The use of color enables the adequate representation of the texture, quality, fabric, grain, pattern and hue of the article with less strain on the imagination.

2. It conveys a precise idea—yellow as a word may mean anything between red and blue, innumerable shades and tints of orange, yellow and yellowish green.

3. It enables the recognition of packages and articles much better than does a simple name or trade mark. The National Biscuit Company packages are good illustrations of this fact.

The value of color is illustrated by comparative tests carried on by mail-order houses in Chicago. These tests show that a cut in color often sells as high as 15 times as much as does a plain black and white cut of the same article. These houses are using more and more color in their catalogues in spite of the extra cost.

Another important fact about color which also greatly enhances its attention value is that a sign

or color scheme which is really flat may be made to look solid, to have depth, to be extended in three dimensions instead of two, by the proper use of color.

Color and third dimension.—The third dimension can be suggested without the aid of perspective drawing, by simple color quality differences, in two ways.

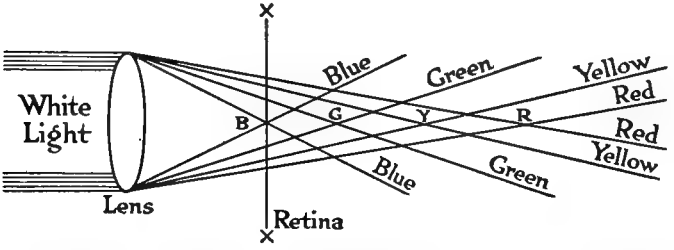
1. By appropriate selection of brightness values. Brightness is easily taken to mean nearness, while relative dullness suggests distance. When, in the laboratory, the illumination of objects is increased or diminished, observers frequently suppose the object to be approaching or receding, although it has remained stationary throughout.

2. But the most important, practical and striking result is that secured by a proper selection of differences in hues. The red, warm end of the spectrum seems closer to us than the blue end when both really are located at the same distance. In fact, the spectral series shows an increasing suggestion of distance as we go from red and orange through yellow and green to blue and violet.

The ether waves causing the different colors are refracted by the eye in different degrees. Red

is bent least of all, yellow a little more, green still more, and blue most of all. This is the reason that a prism can break up a beam of white light into the colors of the rainbow. The waves producing the different hues emerge from the prism at different angles, so that the separate colors can be thrown upon a screen or upon the retina in the form known as the spectrum.

The following figure represents this fact:



CHROMATIC ABERRATION IN THE HUMAN EYE. By way of explaining why blue and green objects seem farther away than do red and yellow objects. This principle can be used to advantage in constructing electric signs. Because of their apparent nearness the red and yellow lights stand out more prominently than the green and blue lights. (See text for explanation.)

Suppose, now, that the lens in the eye is adjusted so that the blue rays come to a focus on the retina at B and, therefore, give a clear image of the object from which they come. The red rays do not focus until R, which is some distance behind the retina. In order to get a clear picture of the red object, the lens must bulge out, becom-

ing more convex, hence bending each ray of light correspondingly more so that the red rays focus sooner than before, until, in fact, they meet at X on the retina.

But we also bulge out this lens in order to get a clear image of a near object when we have been looking at a more distant one. In this way bulging the lens comes to mean for us a near object. And when we bulge the lens for a clear image of the red rays we naturally infer their source to be nearer. And, since we flatten the lens both for a clear picture of a distant object and for a sharp image from the blue rays, we suppose the blue object to be far away; we confuse blueness with distance.

We shall later see the appropriateness of blue for mural decorations when the suggestion of distance is desirable. The value of this principle is demonstrated in many electric light signs on our streets, though the principle is often disregarded with the result that what should seem near seems distant and vice versa. We shall take up the topic of color more fully when we consider the factors which make for sustained attention, and shall there discuss the effectiveness of different color combinations. It is sufficient here to indicate the high initial attention value of color.

3. CUTS AND ILLUSTRATIONS

Closely related to the interest in colors is that in pictures. Pictures were the first means of written communication. The letters of our alphabet can be traced far back to their early pictorial sources. The pictorial impulse is a universal one and no art has been further developed than that of pictorial representation. The reasons for this strong interest are many. Chief among them is

ILLUSTRATION AS AN ATTENTION AND INTEREST DEVICE

the fact that pictures so often afford pleasing color combinations. Again, two of the things that provoke strongest interest are personality and action. Next to a human being nothing is fuller of personality than a picture—the personality of the

artist, of the subject represented, associations called up in the mind of the observer. Besides, the painter takes care to choose for his subject a

THE USE OF ILLUSTRATION

theme that has an intrinsic interest. Experiments show this pictorial interest to be stronger with women and children than men. As the race has progressed, its means of communication have developed in abstract directions, quite beyond the

pictorial stage. Men who have been most active in this process seem to have lost somewhat of their earlier pictorial interest.

However, experiments go to show that there are two quite distinct classes of people in this respect, an unimaginative or imageless class, who require pictures for comprehension of statements in the copy, and another class who do not. Thus in a study by the writer of a group of expert engineers with respect to the persuasiveness of different sorts of machinery advertisements, the men broke into two sharply defined groups. Members of one group seemed to think in terms of visual pictures. They did not need an illustration of the machine, for the words themselves called up vivid mental pictures of the parts and the advantages described. To these men the presence of a cut was not necessary—they wanted all the text they could get and placed copy advertisements higher than advertisements with illustrations. But for the men in the other group the words called up no mental pictures. They seemed to think in terms of sounds and movements and had to have a complete cut of the machine before them before they could perfectly comprehend its advantages. For such men advertisements with clear cuts were more persuasive than those with

only reading matter. See Chapter I for Table of these results.

A study by Strong of thirty women in my own laboratory showed the same two groups. This was a study of the persuasiveness of ten advertisements for a given brand of soap. In the following table the two groups are designated as Group A and Group B. The figures with the (+) or (—) indicate whether and how much these advertisements were placed above (+) or below (—) the average by the members of the two groups. The pictures represented various combinations of cuts and reading matter, and it will be seen that one group (B) consistently places cuts higher than the average, and text lower, while the other group (A) just reverses this relation, placing text higher.

TABLE VII

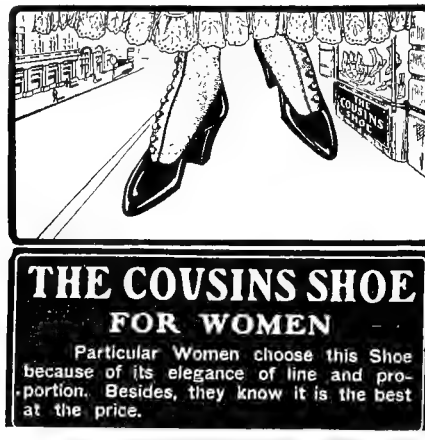
Groups	Character and Content of the Appeals.									
	1 All cut	2 All text	3 ½ cut	4 ¾ text	5 ½ cut	6 ½ text	7 ¾ cut	8 ¾ text	9 ¾ cut	10 All text
A	−4.2	+2.6	—0.2	+0.2	+0.7	+0.4	+1.3	−1.0	−1.0	+1.0
B	+3.1	−2.9	+0.1	−0.2	−0.3	+1.0	−1.1	+0.9	+0.5	−0.3

Averages

Group A places text advertisements high..... +1.3
Group A places cut advertisements low..... —1.0
Group B places cut advertisements high..... +1.0
Group B places text advertisements low..... —0.8

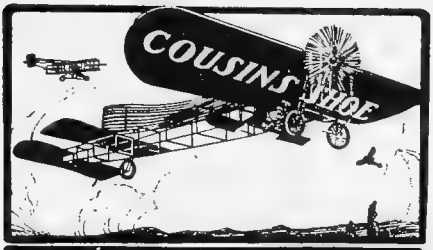
The inference is, then, that the ideal appeal should contain, other things being equal, both cut and reading matter. By this arrangement both the visual and auditory-motor types of imagination will be provided for.

Since illustrations are to be used, the question arises: What sort of a picture will be most effective? A strictly relevant cut, portraying the article itself and designed not merely to attract but to inform as well—such a cut, in fact, as the following? Or should the cut be simply a means of



A Strictly Relevant Illustration

catching the eye—a cut more or less unrelated to the article advertised—a pretty face, a funny scene, etc., such an irrelevant cut for example as the following?



THE COUSINS SHOE

FOR WOMEN

The High Plane of excellence in the Cousins Shoe is the logical result of Sixty Years of the most careful Shoemaking. The Cousins Shoe embodies the Perfect Blend of Style, Comfort, and Durability.

An Irrelevant Illustration

Remotely Relevant Illustration

And, since reading matter is also to be used, should it be a straightforward declaration of selling points—relevant copy?

IRRELEVANT ILLUSTRATION

Or can it be irrelevant, merely amusing, striking, or calculated to connect some special feeling with the article?

An interesting study of this question is re-

ported by Gale. These four kinds of material were exposed for brief intervals on five different occasions and record was made of the number of times each item was observed. The results are shown by a set of curves, which show the effect of repetition on relevant and irrelevant words and cuts so far as attention value is concerned.

The chief results may be summed up as follows:

I. With respect to attention value, the items stand in the following order:
   1. Relevant words
   2. Relevant and irrelevant cuts
   3. Irrelevant words

II. On five repetitions of the same appeals:
   1. Relevant words increase in value
   2. All cuts decrease in value
   3. Irrelevant words do not change

III. Women are more attracted by cuts and by irrelevancy than are men.

This pioneer study by Gale is a most suggestive piece of work, and its results should be checked and verified or tested by other investigations of the same kind. Such studies are now in progress in several laboratories.

4. SUGGESTED ACTIVITY

The fourth interest incentive grows out of the preceding one quite directly. It is what we may call *interest in suggested action.* Nothing is more interesting than a person, an animal, even a machine, in action. Much of the strength of window demonstrations, street vending, etc., depends on this fact. The *New York Herald* has no better advertisement than the sight of its presses, from the windows on Broadway. A barber stropping his razor, a gang of men unloading a piano, a mason using his trowel, a lather slapping in the nails, anywhere, even in politics and in the White House, the man in action attracts interest. This is not the same factor that we discerned under the head of movement. This is shown by the fact that pictures and representations of action have the same attractiveness as does the action itself. Pictures of people doing things possess an interest far greater than any representation of inert objects or the most vivid word pictures. Note the effectiveness of suggested activity as shown in the quarter-page Graphite advertisement in Chapter V.

A very curious and important fact in this connection is that to suggest action pictorially, the

moving object must always be caught at a resting point, otherwise it suggests not action but arrest. The mistake is repeatedly made of supposing that to suggest motion, let us say of a horse trotting, the animal should be represented in the middle of its step. Nothing is further from the truth. To suggest action effectively the foot should be caught at one of two resting points, either at the initial point, before beginning the movement, or at the final point, midway between extension and return. To show it in the middle of its course suggests only pose, and stilted pose at that. Consequently walking is best represented not by a man with one foot in the air, but by one with both feet on the ground, one just having completed its swing, the other just about to begin. A man striking a blow with his fist should be represented either with an arm drawn back ready to strike or with an arm extended, the blow having been already launched, but never with it in a halfway position. Newspaper photographers are the most grievous blunderers in this respect by failing to press the button at the psychological moment. The accompanying illustrations clearly represent the truth of this principle. Compare the inertness, stiffness and lack of attractiveness in Group I with the animation and interest of Group II.

It was thought that the introduction of moving pictures and kinematograph photography would be of great service to the painter and sculptor in

VIOLATING THE LAW OF THE RESTING POINT. Suggestion of Pose rather than of Activity.

catching their living subjects in the process of quick action, preserving this attitude for reproduction with brush and chisel. But it was found that the expectation was all a false hope. No attitude represented action so vigorously as the

resting points with which we were already familiar. The reason for this rather surprising circumstance is probably to be found, in part, in

THESE MOVE! DO THEY NOT?

ILLUSTRATING THE LAW OF THE RESTING POINT. Strong Suggestion of Activity.

the fact that the eye cannot perceive while it is itself in motion. Look into a mirror at your own eye, meanwhile moving the eye about. You will find yourself unable to observe the movements of your own eye. For in the moment in which the

movement is taking place, the external stimulus does not have time to set up any definite images on the constantly shifting retina. So it comes that, just because we do not see the intermediate positions except when the limb is deliberately held there fixed, we do not associate them with the movement, but always the two extremes that we do see.

Observe the mental picture called up in your mind's eye when you read the words "a panther leaping." You will see the meaning is visualized either by the picture of a panther preparing to spring, or by that of a panther just alighted—probably never by the picture of a panther in the progress of the leap. Or if this should happen, you will find that the panther is at that resting point immediately between springing and landing—the point between ascent and descent, when the animal hangs poised for a moment. So a successful picture of a man leaping a fence must catch him at one of the three resting points, the moment of springing, the moment of alighting, or the moment of suspension at the height of the leap when he seems poised just above the fence.

How, then, can we represent action when there is no resting point to be caught? There are per-

haps two chief types of cases in which this might be desirable: the case of a swiftly moving vehicle, and that of vibrating pieces of machinery. Here we clearly have a different proposition. We are dealing with inanimate objects, with mechanically produced and uniform motion. The law of association which we invoked to explain *the principle of the resting point* must also come to our assistance here. All we can do is to portray the retinal picture which the eye gets when looking at such a moving object—blurred spokes in the wheels, streaming ribbons and banners, blurred visions of oscillating levers, or what not. The law is always to put there just what the eye could really see and no more. Too much interpretation and assistance on the part of the artist defeats its own purpose.

5. THE COMIC

The use of *the comic element* as an attention incentive in business is, to say the least, precarious, and will be successful only in the most skillful hands. We may discuss this factor under three headings:

A. It must be pointed out first that the comic, while it attracts and sustains attention, draws this attention quite unto itself. The comic pictures

occupying the Boston Rubber Company's advertisements attract only incidental attention to the commodity announced, and the reader remembers the picture but not the brand of goods. Repeated laboratory tests have shown this to be true.

B. As will be developed later, a statement of *selling points* is perhaps the very best direction which an appeal can take. Selling points are serious propositions, and so is the effective distribution of goods. But the introduction of levity, which usually tends toward the ridiculous in advertising copy, seems like an attempt to slur over and evade a discussion of the pertinent points at issue and to keep attention from them in favor of irrelevant material. The weakness of irrelevant matter we have already had occasion to point out.

C. One especially important characteristic of the comic is the fact that we soon become adapted to it. Jokes and funny pictures rapidly become "chestnuts" and stale. But if the comic appeal is to be employed, it is worth while knowing that the different sorts of the comic do not grow stale with equal rapidity. Reports of a prolonged experiment on the effect of repetition on the comic and on the individual differences in reaction to comic situations have already been published by the author. The full discussion can be found in the

Psychological Review for 1911. We may divide the comic into two main types.

The rule in football is "Hit the line hard" and 'twas ours in ordering our clothing for fall. We hit the line hard and selected the finest and largest assortment of men's styles we have ever handled. It is a line that you and every man will enjoy looking through and wearing.

From $15. durability to $35. luxury, whatever quality you select you'll get the full worth of your money

To-day our special is (describe and price).

THE OBJECTIVE COMIC. The Calamity.

1. The *objective,* in which the source of amusement is the fact that some other person is involved in a predicament, is subordinated, disap-

pointed, deceived, tricked, duped or bantered, either by a third person or by natural forces,

"There ain't no such animal."

"In circus announcements we expect the unexpected—but the store that exaggerates in its advertisements is simply signalling to the sheriff."—Hubbell.

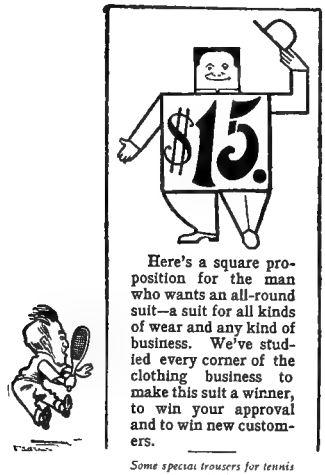
Our advertisements are so short, we're freed from the temptation of exaggeration.

Here's a suit at $15. and an overcoat at $18. where every cent of the cost has been expended to give the customers utmost values, at the prices.

THE OBJECTIVE COMIC. The Naïve.

without serious consequences. Under such circumstances we tend to be amused. The calamity joke, the naïve or unconscious joke, would be examples of this group.

The second group, the *subjective comic,* comprises those situations in which the laugh is caused by the fact that we ourselves are tricked, surprised, discomfited mildly, disappointed, in



THE SUBJECTIVE COMIC. Play on Words.

expecting one thing, one event, one use of a word, and getting instead an unexpected one. Examples would be the pun, play on words, the sharp retort, the dialect joke, wit, etc.

Now the characteristic of the *objective comic* is that it loses its flavor rather slowly—it often waxes, increasing in funniness with repetition. The *subjective comic,* on the other hand, becomes

stale with great rapidity. When a series of comic appeals, containing examples of both classes, is arranged in an order of funniness in successive

"Signs of an early spring."
Means there's got to be something doing in our fur coats.
We have a bunch of hot ones and every one of them anxious to get in touch with YOU to prove what a warm friend it can be.
Prices $-- to $--
Fur gloves $-- to $--
Fur caps $-- to $--

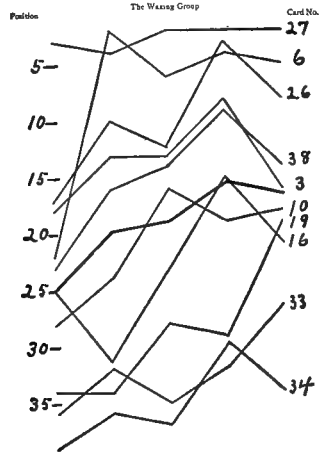
THE SUBJECTIVE COMIC. Play on Words.

trials a week apart, the objective jokes rise in relative value, thus constituting a *waxing* class. The subjective appeals fall in value, thus comprising a *waning* class. Jokes which contain both ele-

ments remain on a level. The reader is referred to the original article for further details. But the importance of this waxing and waning law, in selecting comic appeals to be repeatedly seen in an advertisement, is clear from what already has been said.

6, 7, 8. FEELING TONE, INSTINCT AND HABIT

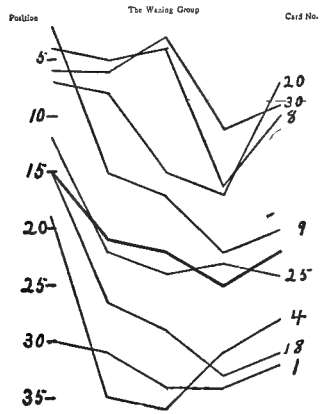
There remain yet to be considered the interest incentives, of *feeling tone, instinctive re-*



SHOWING THE INFLUENCE OF FIVE REPETITIONS ON OBJECTIVELY COMIC APPEALS. The Relative Value Increases

sponse and effective conception. While it is true that these three appeals have a strong initial at-

tention value, their greatest service lies in holding the attention already attracted by some other device, or in reinforcing the response which this appeal invited. Hence we shall treat *feeling tone*



SHOWING THE INFLUENCE OF FIVE REPETITIONS ON SUBJECTIVELY COMIC APPEALS. The Relative Value Decreases

under the heading of the second task, and *instinct* and *effective conception* under the fourth task of an advertisement. But, when we come to discuss their value as "sustainers" of attention, it must be remembered that all that is said of them there applies equally well to their operation as initial appeals.

CHAPTER VII

AN EXPERIMENTAL TEST OF THE RELATIVE ATTENTION AND MEMORY VALUE OF THE MECHANICAL AND THE INTEREST DEVICES

In order to test the relative value of the *interest incentives* as compared with that of the *mechanical devices,* an interesting experiment was performed with the aid of a group of six advertising men, selected from a class which had been following a course of study based on the material presented in this book. These men were made familiar, through lectures and demonstrations, with the characteristics of the two groups of incentives. They were then given the 77 full-page advertisements found in an issue of *Everybody's Magazine,* and asked to indicate, in the case of each advertisement, the chief three incentives relied on to attract and hold attention. When less than three devices were found, the indication included only such devices as were clearly discernible. Three psychologists made similar determinations of these advertisements. The total number of votes, for the two classes of incentives, was computed for each advertisement, thus affording

a fairly reliable measure of the "character" of each.

Meanwhile Dr. E. K. Strong tested the attention and memory value of each of these advertisements, as shown by the ability of 137 women to recognize them as having been previously seen in a copy of the magazine which they had had in their possession for one week, with instructions to read a certain article therein, in connection with their regular class work in college. None of these women knew that they were going to be in any way tested for their memory of the advertisements, nor, indeed, in any other way.

We have, then, the judgments of six advertising men and three psychologists on the type of incentive most prominent in each of the appeals, and these judgments are shown in the following table. We have also a measurement of the attention and memory value of each of these advertisements, as secured from the records of the 137 women readers. The following table gives these values, also. The table gives the results for the 10 best advertisements (remembered by the greatest number of readers) and for the 10 poorest (remembered by the fewest readers), exclusive of the six advertisements which appeared in preferred position (cover pages and next to reading

matter). The "incentives" column gives the number of votes for each of the two types of devices.

TABLE VIII

The Ten Best Remembered

Page	Firm or Commodity Name	Number of Mechanical Incentives Reported	Number of Interest Incentives Reported	Per Cent. of 137 people who remembered
128	Ivory Soap	6	16	8.2
6	Cosmopolitan	1	15	8.0
29	Barbara Worth	1	6	8.0
117	Gillette Razor	8	9	7.2
37	Post Toasties	8	15	7.1
36	Campbell Soup	6	17	7.1
96	Jap-a-Lac	5	15	6.8
66	Western Electric	2	21	6.6
57	Baldwin Piano	1	18	6.3
60	Mallory Hats	3	18	6.3
	Averages	4.1	15	7.2

Percentage Interest Incentives, 78.5.

The Ten Least Remembered

62	Overland Auto	9	4	1.2
55	Genasco	3	13	0.9
64	Wilcox Trucks	6	12	0.9
63	Overland Auto	9	4	0.7
96	Dahlstrom	2	1	0.6
48	Underfeed	3	1	0.2
53	J. M. Asbestos	9	9	0.2
30	Lord and Thomas	4	3	0.2
44	Keystone Watch	3	5	0.0
52	Congoleum	5	5	0.0
	Averages	5.3	5.7	0.5

Percentage Interest Incentives, 51.8.

Two things are clearly indicated by the table. In the first place, those appeals which were remembered by few of the readers are the ones which utilize few definite incentives of any kind. They are the ones on which fewest votes were cast for any incentives whatsoever—they were doubtless constructed by "inspiration," without any conscious or formulated plan in mind, and they well-nigh defy analysis, either by the advertising men or by the psychologists. This is in itself a lesson worth learning.

But the second point is the one in which we are most interested in this connection. In the case of the advertisements best remembered, 78.5 per cent. of the votes were for interest incentives. These advertisements, relying for the most part on the interest devices (picture, novelty, color, feeling tone, the comic, suggested activity, instinctive reaction, and habit), are remembered by 7.2 per cent. of the 137 people, that is to say, they were remembered over 14 times as often as were those relying on mechanical devices.

In the case of these latter advertisements, the average amount of mechanical incentive (5.3) is even a little more than in the case of those of the first group. The only considerable change is in the degree to which interest incentives are relied

on. Here we find only 51.8 per cent. of the votes given to interest incentives, as contrasted with the 78.5 per cent. in the case of the better group. And, indeed, even this fairly high per cent. is almost entirely due to two of the appeals.

Taking the appeals one by one, in the case of the 10 best remembered ones, without exception, the interest incentives predominate. In the case of the 10 least remembered, in 7 cases out of the 10 the mechanical incentives either equal or exceed the interest incentives, leaving only 3 in which the reverse is the case.

The superiority of the interest incentives, for purposes of attention and memory, for which we have contended throughout this discussion, is most thoroughly confirmed by the results of this experiment, as well as by the returns from advertisements actually run.

CHAPTER VIII

THE SECOND TASK: HOLDING THE ATTENTION

Let us assume, now, that, through the application of some principle in the foregoing chapters, an appeal has been formed so as to attract initial attention. The final effectiveness of the appeal will depend on whether or not this attention can be *held* long enough for the suggestion or the argument to take its place in consciousness along with other appeals and to modify the later responses of the reader. This is the point at which the persuasiveness of the appeal first begins to make itself felt. Persuasion is simply the act of *holding the favorable attention* long enough for the stimulus to enter into effective combination with other processes in consciousness. Such combination leads to the response. What the response is will be determined partly by the needs, resources and general purposes of the reader. But it depends also largely upon the character of the appeal, for this appeal may be potent enough

to create his needs, suggest resources, and modify his general purposes.

We have already seen that *attention always fluctuates* or comes in pulses. The appeal then cannot operate by simply prolonging the first moment of attention. It must be so constructed that after this first moment the eye does not move to another thing, but fixates again and again the original object, that is to say, the reader must be able to see some new phase or aspect in the original appeal. Figure 1 (page 134) is able to hold attention, but it does so by appearing to change its character. Now it is seen as a stairway leading upward, now it is a stairway upside down, now a set of steps seen from below, now from above, etc. As fast as attention to one aspect wanes another aspect suggests itself. The same is true of figures 2 and 3. Watch a passenger reading the Subway advertisements. You will see at once that he hurries by some cards and lingers over others. Or compare your own interest in the following advertisements. The first is too simple, the second is too complex and choppy, while the third is in some way so constructed that you look at it again and again; it holds your attention. What then are the requisites for sustained attention?

Here again we may point out two groups of factors, a group of mechanical devices and a group of interest devices.

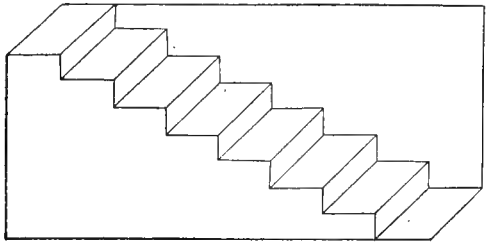


FIGURE 1

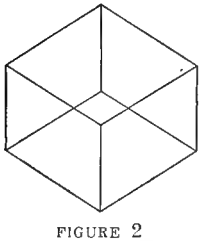


FIGURE 2

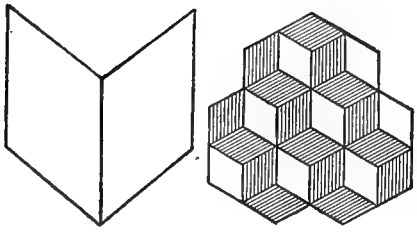
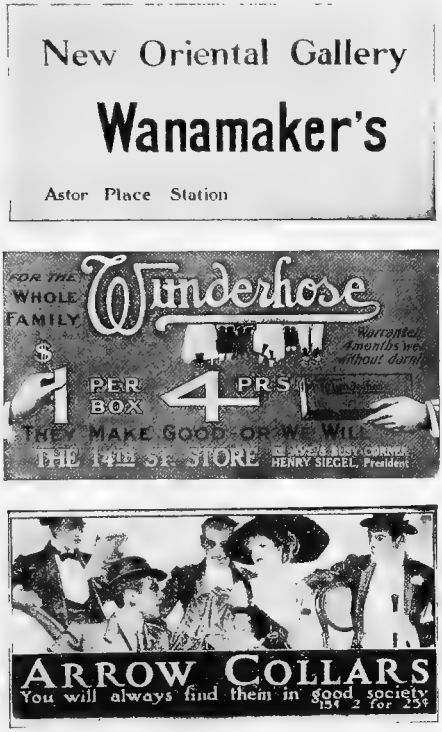


FIGURE 3

FIGURES APPEARING TO CHANGE CHARACTER

I. MECHANICAL HELPS

1. *Complexity.*—Unless the advertisement is intended to be a mere reminder, a mere suggestion



CARDS FROM NEW YORK SUBWAY

of some other appeal previously seen, a certain amount of complexity is requisite. The advertisement should contain shifting points so that,

while attention must fluctuate, it can flit from point to point, aspect to aspect, of the same space. Perhaps three elements or units, three facts, styles, etc., represent the ideal; three arguments or propositions of interest, three figures if the advertisement takes the form of picture, three styles or sizes of type, three color masses, etc.

SECURING UNITY THROUGH STRUCTURE

This allows one object for the focus, one for the field, and one for the margin, and, if the elements are properly unified, prevents the encroachment of parts of some foreign unit into consciousness.

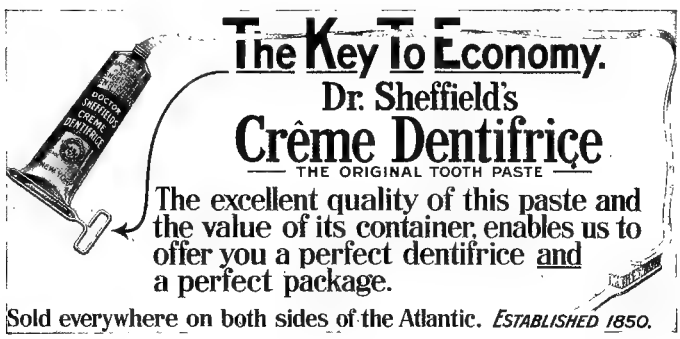
2. *Unity.*—The second mechanical factor then is that of *unity.* Not only must there be complexity, but the elements should be so interrelated as to form a whole, so related that the shift from one to the other is perfectly natural. There are

various ways in which this unity can be accomplished.

(a) *Structure.*—The elements may all participate in a general design or composition, as do the figures in the Arrow Collar card. By the direction in which the faces are turned, by some common act in which all are engaged, etc., attention may be led from point to point in the total composition, and always returned, in the long run, to the salient points or center of the arrangement. Notice how all the lines and all the faces of all the figures are turned in the direction of the man with the collar in the Arrow collar card. The Sistine Madonna is the classical example of such an arrangement. Aside from these devices of composition, the *content* of the parts may all assist in the formation of a unit. Thus a question may lead naturally to an answer which follows or is to be found in another part of the composition.

(b) *The use of pointers, curves, arrows, borders and similar lines* may also be used to the same end. The *border* gives an artificial unity to the contents bounded by it. It tends to keep the eye within the given area, since the eye reflexly tends to follow lines rather than to leap across them. Just as the pasture fence keeps the cattle wandering about the enclosure instead of

breaking out of it, so the *border,* the *curve,* the *pointer,* keep the restless eye from straying to foreign quarters by turning it ever back toward the center of the composition. Moreover these borders, frames and lines of demarcation may be



AN ATTEMPT TO SECURE UNITY BY MECHANICAL MEANS (Lines)

themselves artistically designed and so possess positive attention value which may reinforce that of the content of the space which they embrace. The simple law that the eye tends to move *along* lines instead of across them is worth bearing in mind.

II. INTEREST DEVICES

The mechanical devices for sustaining attention should not be disregarded, but their importance is insignificant as compared with what we may call the *feeling tone* of the appeal itself. By *feel-*

ing tone we mean the *pleasantness* or *unpleasantness* which accompanies our perception of objects. Every object in our experience has a twofold character. It is at once an object of *cognition* and an object of *feeling*.

From the point of view of cognition it is this or that object, has this or that use, is made of this or that material, and so on. From the other point of view it is not only this or that kind of object, but it also makes us feel agreeable or disagreeable, comfortable or uncomfortable in its presence. It makes us feel either desire or aversion, it either attracts or repels. Experiments show that we not only *feel* at the same time that we *perceive*, but that we also make characteristic movements toward the object.

The *feeling of pleasantness* is accompanied by *expansive, open, appropriative* bodily attitudes, and by actual movements toward the agreeable stimulus. Under these conditions stimuli effect easy entrance to the higher levels, make strong impressions and are long remembered. The *pleasant impression tends to persist* in consciousness, long after the original stimulus has been removed.

The *feeling of unpleasantness*, on the contrary, is accompanied by *retractile, conflicting or evasive* movements, the organism tends to shrink

away from the stimulus rather than to move towards it. Under these conditions the resistance of the nervous pathways is increased, stimuli make relatively faint impression, and this impression tends easily to oblivisce or be forgotten. Along with the law of persistence of the pleasant goes that of *the obliviscence of the disagreeable.*[1] The importance of the feeling tone of an appeal ought, then, to be very apparent. The feeling tone of an advertisement, as of any other object, will influence not only the amount of attention it receives but its persistence in consciousness as well, and it follows that the reaction to the appeal will also involve the article in the interest of which the appeal is made.

The feeling tone of an appeal may depend on two principal factors:

I. On its form or arrangement, its character as a work of art, its general beauty. Symmetry, proportion, clearness, balance, the quality of lines, spaces, masses, colors, harmonies, atmosphere, all play their rôle here, all of those elements and laws of design which a course on the "Principles of Arrangement" would treat.

II. The feeling tone will depend not only on the

[1] See the article on this subject, by the writer, in the *Journal of Philosophy, Psychology and Scientific Methods,* Dec. 22, 1910.

form of the appeal but on its content as well. Words have their feeling tone just as do lines and color. Besides, certain objects, ideas, topics, people, purposes, characteristics, arguments, associations, etc., have the power to arouse strong agreeable feeling on the part of the reader while others are intrinsically repulsive.

CHAPTER IX

FEELING TONE OF FORM

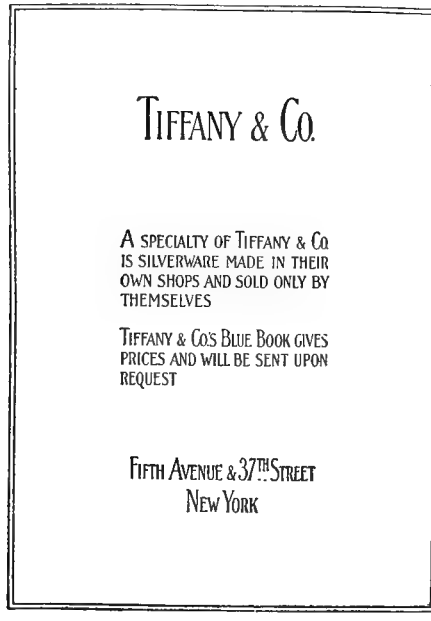
These factors I shall discuss under the headings of the various elements of design—lines, form, relations, masses, colors, harmonies, etc.

LINES

Mathematically, lines are lacking in quality as they are in width, but psychologically, even the simplest line, as it appears in sketching, has both feeling tone and symbolic significance. This feeling tone of lines can be utilized to advantage in representing advertised articles by both relevant and irrelevant cuts, and should also be considered in the appropriate selection of type faces. The feeling tone of a line depends upon three chief factors: (1) its quality; (2) its direction; (3) its character, as straight or curved.

Quality.—The factors constituting the quality of a line are: (1) breadth; (2) intensity; (3) texture; (4) color. By these we mean: (1)

whether the line is wide or narrow; (2) dark or light; (3) rough or smooth; (4) its hue.



THE FINE BLACK LINE, SUGGESTING PRECISION AND HARDNESS

Speaking generally, the following principles hold:

The fine gray line suggests delicacy of texture.

The fine black line suggests precision and hardness.

The broad rough line suggests homeliness and solidity.

The proper selection of lines in cuts or copy is of great utility in showing the texture of the article, or in lending atmosphere either to the cut, the object, or the appeal as a whole.

THE BROAD BLACK LINE, SUGGESTING SOLIDITY AND WEIGHT

Direction.—1. Verticals.—The moderate use of vertical lines conveys a suggestion of simplicity, firmness and dignity, with a certain severe grace. Excess of verticals, however, is likely to give stiffness and rigid formality.

There are two psychological reasons for this effect of verticals:

(a) The feeling tone of all spatial elements, as of many spatial arrangements, depends on imitative tendencies to movement or attitude which they provoke on the part of the observer. The instinctive response to a vertical line consists in straightening out the body, assuming an erect position. This is the position we assume in moments of formality, sternness, attention, dress

ILLUSTRATING APPROPRIATE USE OF HORIZONTAL LINES

parade, etc., and hence at once suggests to us the emotions accompanying these movements.

(b) Ideal literary and architectural associations of towers, monuments, columns, warriors, etc., with their erect, proud direction, have come to make the vertical symbolic of "uprightness," moral strength, and this symbolism still attaches itself to such a line, even when it is in no sense a part of the object with which the original association was made.

2. Horizontals.—The movement from side to

side is the movement which the eye can execute with the least effort. So much is this true that we overestimate the length of verticals as compared with equal horizontals, since the former require so much effort for the eye to sweep along them from end to end. Side to side movements are frequent, as in sweeping the horizon, reading, looking at an audience, etc. Their very frequency

Illustrating Inappropriate Use of Diagonal Lines

is probably the chief reason for their relatively greater ease. Hence the horizontal is the line of ease, quiescence and repose, almost of languor, "the suggestion of lying down and the consequent suggestion of quiet and relaxation being particularly strong."

As is well known, the headpiece of the Roman cross must be actually shorter if it is to appear equal to the arm pieces. The extra effort involved in running the eye along the vertical head piece makes that line seem equal in length to the

actually longer but more easily perceived horizontal arm.

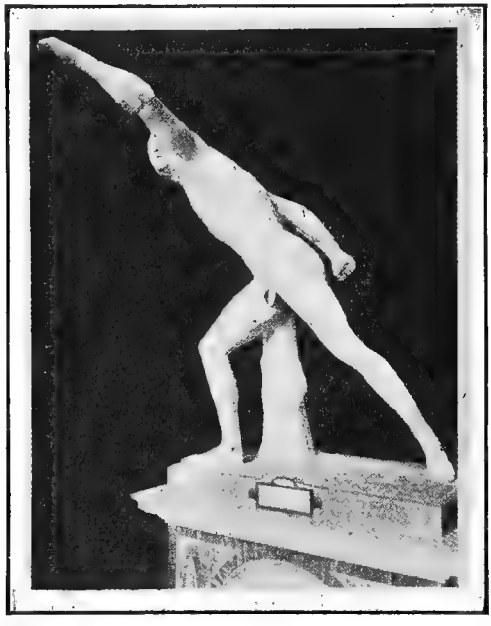
3. Diagonals.—The diagonal line seems to the observer to be full of action and movement. The psychological reasons for its possession of this character are:

(a) The fact that our bodies when engaged in tense action of effort or movement are thrown into such oblique lines in order to counterbalance load or resistance. Hence, when we see these diagonals, we associate the direction with the oblique lines which we observe when human beings are active.

(b) The diagonal sets up imitative movements on the part of the observer. We tend to throw our own body in a direction corresponding to that of the line, and these movements at once call up the feelings of strain and activity associated with them under other circumstances. The "Gladiator Combatant" in the Louvre and the diagonal of the three figures running, suggests this rush and speed of the oblique line generally. So does St. Gaudens' bas-relief on Boston Commons, and the Winged Victory fragment.

4. Curves.—Generally speaking, curves are more pleasing than straight lines, whether the curve be arc, serpentine, loop, spiral or what not. The

reason for this preference for curves is not very clear. The old theory that the most natural and agreeable eye movement was such as would be



FEELING TONE FROM DIRECTION OF LINES

made in following the preferred curves has been shown to be false. The eye, even in following curves, exerts jerky and irregular movements, which when traced or photographed do not at all make æsthetic lines. The most probable explanation is that offered by Gordon that "the curve

suggests smooth and easy movement in other parts of the body. We are able to move hand, wrists, head and feet, at least in serpentine lines and to experience the greatest ease and pleasure as well as the greater economy and power of these movements. It seems fair to assume that the memory of these movements, and perhaps some actual half-conscious movements like them, may be the basis of our æsthetic appreciation of the serpentine line."

At any rate, curves, whether they occur in copy, cut or decorative design, avoid the hardness and stiffness likely to be produced by straight lines, giving an atmosphere of grace, pliability, richness and voluptuousness.

CLOSED FORMS

Geometrical forms, as well as lines, have their own individual feeling tone due (1) to the character of their boundary lines and (2) to the character of the enclosed space. The chief source of these qualities seems again to be imitative movements or memories on our own part.

1. *The triangle* with its diagonal lines and sharp corners is lively, incisive and delicately balanced. Especially if it be not resting on its base, it is strongly suggestive of spirit, life and con-

stant motion. The stars themselves are not really five-pointed, but nothing represents their twinkling better than a combination of triangles. Triangles would form an appropriate border for advertisements of sparkling water, wine, lively music, light, etc. An isosceles triangle resting on its base is a perfect example of balance that is not dead but quite alive and active.

2. *The square,* composed as it is of vertical and horizontal lines, unites at once the stiffness and firmness of the former with the ease and repose of the latter, hence suggests solidity and strength, sturdiness. This is true so long as the square remains on one of its sides. The moment it stands on one corner it resolves itself into triangles and conveys the corresponding impression of delicate balance and liveliness.

3. *The Oblong.*—These forms vary so much in proportion and magnitude that it is difficult to assign them as a class any common emotional quality. But one interesting and important feature about them is the fact of rather decided preference for certain proportions. Nearly a hundred years ago Zeising argued for the "golden section" as the most beautiful of all proportions. By the "golden section" is meant a division of a whole into two parts, in such a relation that the

size of the whole is to the size of the larger part as that part is to the smaller (a + b : a : : a : b), or, roughly, a ratio between the two parts of 3 : 5. The law was supposed to hold for the division of lines and rectangles, dimensions of rectangles, ellipses, and other geometrical forms, as well as for concrete objects of art and industry, rooms, blocks, playing cards, windows, doors, fountains, books, writing paper, etc.

In order to be most pleasing, the dimensions of these objects must conform to the 3 : 5 ratio. There has since been considerable experimental evidence for this preference, and the measurement of many forms which are pleasing will be found to conform to it. Advertisements should utilize all possible chances of pleasing the eye. The division of the advertisement into cut and copy, the size of the card or space, the shape of trade marks, etc., could all utilize the principle, and doubtless with good effect. But it should be remarked here that the apparent proportion of a closed space form is often modified by the influence of adjacent elements and figures and the rôle which the form plays in the design as a whole. So much for the lines and forms. Let us now turn to the matter of relations, or to what are called the principles of design.

PRINCIPLES OF DESIGN

The general laws of arrangement will be found fully analyzed in text books on design and decoration, and somewhat more briefly in the text books on æsthetics, but it seems worth while to sum up a few of these principles in the present connection. So far as we shall do this, the matter will fall under the three heads of rhythm, balance and stability.

1. *Rhythm* is an important element in agreeable decoration, such as borders, etc. The basis of rhythm lies in the motor response, of an imitative kind, which the observer makes. The body is a rhythmical machine, and repetitions that fall in with organic rhythm easily fall into rhythmical groupings in perception.

Rhythm consists of some kind of repetition, but this repetition need not be literal nor complete. The essential thing about rhythm in spatial design is that the *direction of the movement* be (1) definite and (2) clearly indicated.

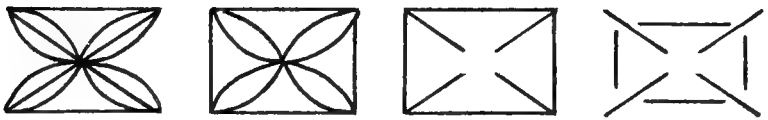
A

does not produce a rhythmical effect, but—

B

does, since it reads clearly from left to right. The single element gives direction, and the design as a whole is but a repetition of this motive. In A the movement may be either left-right or right-left, hence A cannot be called a rhythmical design. But there may be subdivision of the element, so that some larger section of the design serves as the motive.

Thus in



there is repetition more or less complete, but only the group of four elements suggests direction, hence the group would be the element of rhythm. This is also true in the case of D.

D

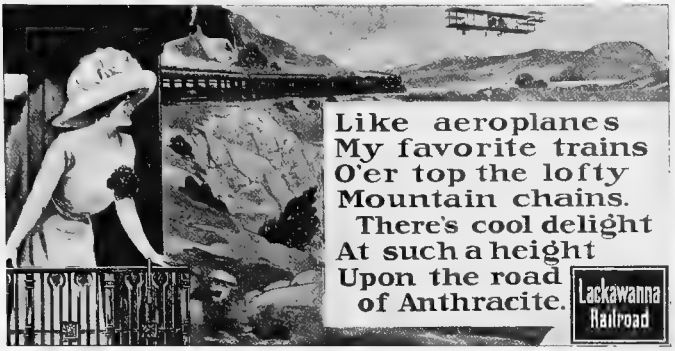
2. *Balance in Design.*—Just as balance is necessary in color arrangement, so it is an essential

factor in spatial arrangement. The human body is bilaterally symmetrical, and designs which set up bi-symmetrical movements of examination, response or imitation fit in most agreeably with the organic habit and structure. The most perfect balance would be what we call bilateral symmetry. In such compositions each half is a perfect copy of the other except for direction. Only in very formal compositions can this condition be conformed to. In actual representative painting, in type arrangement and illustrations by cuts, some deviation is of course required.

So for practical purposes we usually have to resort to what Puffer calls "substitutional symmetry." According to the principles of "substitutional symmetry" there are four items of "weight" in composition, and these four items may be made to balance each other in various combinations. The items are:

1. Mass.
2. Depth or vista.
3. Direction (of line or motion or attention).
4. Interest.

Says Gordon: "In good pictures one will probably find an equation in which two of these items are set over against the other two, unless



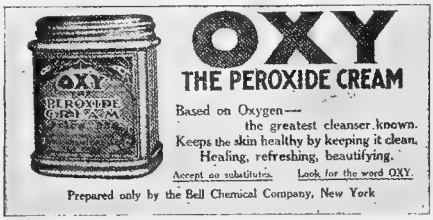
BALANCE OF MASS AGAINST VISTA (Distance)

it happens that one item is extraordinarily stronger, and in this case it will be balanced by the other three. In a portrait, for instance, if the mass of the person's form is on one side of the

MECHANICAL BALANCE OF MASS AGAINST MASS

canvas, together with some interesting object, like a flower or an animal, one would expect to find on the opposite side some vista of depth or direction of attention by means of line or motion."

In this substitutional symmetry a small, interesting object is found to balance a larger but less interesting one.



DISREGARDS THE LAW OF BALANCE

3. *Stability.*—Here we may again quote Gordon: "Another phase of the problem of balance is the distribution of masses and space between the upper and lower parts of a composition. An arrangement may be symmetrical on its right and left halves, but wholly unsymmetrical as between upper and lower halves. In general, to prevent top-heaviness and give, as it were, enough ballast to a composition, there should be more below the center than above it. Pierce's experiments show that the principle of stability is even of more moment than that of left and right balance. An inverted pyramid would be an unpleasant and precarious-looking structure. The visible sign of a sure equilibrium is breadth of base, and most massive things are built to slope by more or less obvious degrees toward their tops.

It is not true, though, that all beautiful and well-poised forms are larger at the bottom; very good effects are sometimes secured by putting the mass of the thing represented near the upper limit of the picture. A mass of graceful flowers may fill the upper part with only their slender stocks below; a drift of clouds or a flock of birds may be shown high up in the picture, with only a few landscape lines below, the nearest approach to empty space. Why do not such pictures look as top-heavy and unstable as the inverted pyramid?

"The reason is that they represent things that are not dead, inanimate weights, but are delicate and light. Placing the flowers or clouds or birds above the center of the picture, with the empty space below, is just what suits their character, and brings out their lightness and buoyancy. These two facts, then, are part of the same truth; to gain stability, large masses must be below the center, and this is appropriate when the masses are supposed to be heavy; to gain freedom and buoyancy, masses may lie above the center, and this is appropriate when the masses represent something light."

CHAPTER X

FEELING TONE OF CONTENT

Under this heading come the topics: color quality, color harmony and balance, relations of feeling tone to imagination, imagery types, feeling tone of words, pictures and associations, and the curious facts of synæsthesia. These topics we now take up in order.

CHARACTER OF COLORS

To sensitive observers the simple colors, taken separately, possess different emotional tones. This tone depends partly on the physiological factors already discussed, and partly on associations which may have been originally of a more or less arbitrary kind. On this point I can do no better than quote from Gordon's "Æsthetics" (p. 146).

1. *Red.*—"Red has been compared to the blare of a trumpet, loud and ringing; it is also known as one of the 'warm' colors. Some clue to the emotional effect of a color is gained by a glance

at the associations and the symbolism which have grown up around it. Red, the color of the blood, is the symbol of passion and death. Among the Chinese it is said to denote virtue and truth. With the ancient Romans the red flag was the battle signal. In the middle ages of Europe the candidate for knighthood was invested with the red garment in token of his readiness to shed his blood. In the Christian era Christ and the Virgin are very generally represented as wearing a red tunic under a blue mantle. The symbolic use of red in modern art is illustrated in Rossetti; in 'Dante's Dream' the angel of love is all in scarlet and scarlet poppies strew the floor, and in 'Beata Beatrix' there is the scarlet dove. A distinction was made, in religious art, between different qualities of the same color; for example, a clear red denoted a pure feeling, but a muddy red was the hue of sin. In Abbey's 'Holy Grail' paintings the robe of Gallahad is a clear red."

2. *Yellow.*—"The yellow of the spectrum is the brightest of all the spectral hues. It is joyous and uplifting; in the orient a sacred color, a symbol of faith and of the sun. The Christian church, however, made yellow the color of dishonor, and in popular symbolism it stands for jealousy and decay. Pale yellow and gold are among the most

adaptable colors in the sense of making pleasant combinations with almost any other color. Both red and yellow are usually spoken of as strong or exciting colors, though the type of excitement is not the same in both. Red is said to suggest a hurried, onward, dashing, but orderly movement, accompanied by sound; yellow a lighter, airy, whirling movement."

3. *Green.*—"Green belongs to the cool end of the spectrum, and is less exciting than the reds and yellows. Grant Allen points out that green is, among primitive peoples, relatively unprized. He says the men in civilized communities, i.e., in cities, have missed the green of the fields and woods, and hence have come to the appreciation of it. In Christian symbolism it stands for hope and inspiration. We connect it also with spring-time and growing things."

4. *Blue.*—"Blue is generally felt to be cool and calm and to be suggestive of stillness and depth. Ruskin writes as follows: 'Wherever Turner gives blue, there he gives atmosphere; it is air, not object. Blue he gives to his sea, so does nature; blue he gives, sapphire deep, to his eternal distance, so does nature; blue he gives to the mighty shadows and hollows of his hills—but blue he gives not where detailed and illumined surfaces

are visible.' Lafcadio Hearn writes similarly and says that blue appeals to one's ideas of 'altitude, of vastness and of profundity,' and that it is the 'tint of distance and vagueness.' And again, 'Vivid blue, unlike other bright colors, is never associated in our experience of nature with large opaque solidity.'

"Blue tones, thus, since they are enveloping, atmospheric and spacious, should be proper for the decoration of backgrounds, of walls and of ceilings. The beautiful fitness of Puvis de Chavannes' mural paintings is due in part to their soft prevailing blues. Blue in Christian art and in popular symbolism is the color for constancy."

5. *White, Gray and Black.*—"White stimulates a joyful but serene mood. It is the symbolic color of joy and purity. Gray is of all colors the most sober, quiet and subtle. A laboratory subject, whose task was to look at a large sheet of gray paper and to record her impression of the color experience, wrote as follows: 'Visually a pure gray, it gives the impression of softness and depth. I seem to hear its very quietness. Its gentleness of gradation and of shading suggests grace, delicacy, and expertness. The whole experience is one of neatness, delicacy, and refine-

ment, which ideas produce a bodily feeling of reverence or of deference.' ''

Poetically we find gray referred to as a ''chastened tinge'' or as ashen or sober.

Black by itself is melancholy and depressing, it is the symbol, among western peoples, of grief and death. It stands also for quiet. In combination with other colors, particularly when it is limited in extent, black makes the impression of great concentration and strength. No other color has more ''character'' than black.

COLOR COMBINATIONS

Without going into the technical aspect of color mixture or of decorative design we may give several leading principles of agreeable color combinations:

1. Cool colors harmonize well with their own tints, but tints of warm colors usually harmonize best with other colors, or with their own shades.

2. Complementary colors combine agreeably, but combinations of colors not quite complementary (leaning toward the warm end) are usually preferred.

3. Oranges and yellows and golds have the most acceptable harmonizing qualities, and they com-

bine well both with their own shades and with other colors. Even discordant colors can often be reconciled by joining their edges with a band of gold.

4. For the most part, colors combine pleasantly with the white-gray-black series. But it seems that the better a color harmonizes with other colors, the less pleasing is it in combination with gray.

5. The most agreeable combinations, according to Kirschmann, are those which exhibit three kinds of contrast effect, namely: Contrast of hue, of brightness and saturation.

6. For brilliant and vivacious effects the contrasted color scheme is the best suited. "This would show, perhaps, two key colors, whose tints and shades would weave together, or, according to some, a concentrated scheme must represent the three colors red, blue and yellow" (Gordon, p. 151).

7. For a more uniform and subdued effect the gradual transition of the dominant method is better suited. Here "there should be one prevailing hue, and variations should be introduced by changes in the saturation and brightness and by limited changes in hue. There might be touches of contrasted colors, but not enough to interfere

with the impression of a single governing hue'' (Gordon, p. 151).

COLOR BALANCE

1. *Quantity* (From Gordon, p. 153).—''When two masses of color are alike in every way, hue, brightness, saturation, size, shape—occupying symmetrical positions on either side of a picture or design—they are said to balance. In this figurative conception of balance the center of the picture is regarded as a fulcrum and the horizontal distances out from the center are the two arms of the lever. We know that in maintaining a literal physical balance, if we shorten the arm of a lever on one side we must increase the weight on that side, but that if we lengthen the arm we must diminish the weight. The same thing is true of the apparent balance between color masses. A small color mass far out from the center balances a large mass close up to the center. A more complex problem presents itself when the two opposed colors are no longer of the same quality; when, for instance, blue must be balanced with orange, or yellow with green. Experiments show that (on a dark background) a small mass of bright color seems to balance a large mass of dull color. If, then, we had a bright and a dark

mass of equal size the bright mass should be put on the shorter lever arm, that is, nearer the center of the picture, since its extra weight must be offset by short leverage. . . . On a light background the more a color approaches black the greater its weight or value."

2. *Quality.*—Besides this quantitative balance, there is a balance of quality depending on the phenomenon of contrast. According to Ross ("A Theory of Pure Design"), "Tones, simply as tones, disregarding the positions, measures, and shapes which may be given to them, balance, when the contrasts which they make with the ground tone upon which they are placed are equal."

Says Gordon: "When a composition contains three or more hues, then a balance becomes possible. In a design of white, gray, and black the brightnesses balance when the gray is as much darker than the white as the black is darker than the gray. The hues of yellow, greenish yellow and orange yellow would balance if the greenish and the orange yellows were removed by equal degrees from pure yellow. It is also proper to speak of a balance of saturations when two tones vary by equal degrees of saturation from a ground tone."

So much for the *feeling tone of form and arrangement.* It is impossible in the time at our disposal to illustrate each of these facts in the concrete field of advertising. The composer or designer must himself make the applications. But the propriety or impropriety of a given form ought to be fairly obvious if the foregoing principles are borne in mind. Thus the writer recalls an advertisement for beds and mattresses in which the composer sought to convey an atmosphere of quiet and repose. But the effect was utterly destroyed by the insistent activity of a diagonal line of type and contrasting color which ran across the composition. Moreover, the colors selected for this appeal were not the quieting and soothing blues and greens, but aggressive and irritating oranges and yellows. The best way to realize fully the importance of these laws of feeling tone is to go about looking for examples of their violation.

The lines, forms, relations, colors and distribution of elements should so far as possible reflect the character of the goods or the mood desired in the reader. A patent illustration of this would be the fact that in selecting type faces, bulk, weight, mass or strength demands heavy, strong, bold faced type, while an appeal to feeling or emo-

HARMONIOUS COÖRDINATION BETWEEN SUBJECT, TYPE AND TRADE-MARK

tion should be conveyed by means of artistically formed letters, shaded type, with free, flowing or graceful lines. Observe the accompanying il-

Lord & Taylor

Imported Lace Curtains

Arab *Marie Antoinette* *Renaissance*
Brussels *Irish Point*

600 pairs at . . *$12.50* pair
Value $15.00 and $18.50

325 pairs at *$17.50* pair
Value $21.50 and $23.50

Point Arab and Italian Filet Lace Curtains

at *$35.00, 50.00, 75.00, 115.00* pair
Usual prices $50.00, $65.00, $100.00, $150.00

Embroidered Portieres

Single pairs
Formerly $40.00 to $110.00 pair

at *$20.00 to 65.00* pair

Broadway & 20th St.; 5th Ave.; 19th St.

TYPE FACES SUGGESTING REFINEMENT AND DELICACY OF TEXTURE

lustrations, which show the effectiveness of such selection.

FEELING TONE AND IMAGINATION

The feeling tone of a given composition of reading matter and cut will also depend somewhat on what is called the imagery type of the reader. We can think of objects even when they are not present to our sense organs. Thus I can call up in my mind's eye more or less vividly my boyhood home, and seem to see, though more obscurely than if I were present on the spot, the house and barn, the grape arbor, the garden, even my little bookcase in the library. I can smell the honey in the bee boxes and can hear the general hum and stir of the hives. I can do this because I can call up images of these past experiences. Or by putting together the images of wheels, sails, birds, ropes, etc., which I have actually seen in the past, I can create in my mind's eye an aeroplane of a pattern which has never yet been constructed.

Similarly, if you read the following list of words through slowly, you will find that each word calls up some *image* of the thing it represents.

Violin	Earthquake
Beefsteak	Falling from a balloon
Subway	Battle
Cheese	Caruso
Surf	Elevator

You will find, further, that some of the images come quickly, others slowly; some are strong and vivid, others faint or obscure; some words will call up visual pictures, some auditory, others feelings of movement, still others tastes, smells, touches, temperatures, etc. You will likely find that in your own case the swift and vivid images will all tend to be of the same type: visual, auditory, etc., as the case may be.

But if you compare your results with those of several of your friends you will likely find striking differences. One will think of "earthquake" in terms of rumbling noises, another in terms of irregular and sudden tossings and movements of his own body, while still another will see falling buildings, smoke, and frightened people in his mind's eye. With respect to their normal and most vivid imagery, people show not universals but types. And the result of such an experiment as that above will usually reveal the imagery type of the reader, that is, it will show what kinds of

imagery he employs easily, quickly, vividly and most frequently.

Thus one observer recorded 2,500 of his own images during two years of study of the subject, and recorded the following table:

TABLE IX

Visual	57%	Organic	1%
Auditory	20%	Taste	6%
Olfactory	6%	Motor	3%
Tactual	4%	Emotional	1%
Temperature	2%		

The two types that are most pronounced are the *visual* type and the *auditory-motor* type.

Images of the so-called "lower senses," touch, taste, smell, temperature, etc., are both slow and weak as well as infrequent with most people. But in describing such things as clothing, furniture, food products, toilet articles, fabrics, soaps, perfumes, etc., the advertiser desires very much to arouse such images. If they can be aroused successfully, they not only add tremendous interest to the advertisement itself, but they may actually constitute selling points for the article described. This will be especially true of all appeals made over the *short circuit*—all appeals to the appetite, the instincts, the feelings and emotions of the prospective purchaser. And it is precisely with such articles as those mentioned above that the

feeling appeal seems to be most effective—articles which contribute toward personal comfort, convenience, pleasure and satisfaction, and which yet do not involve any great expenditure. It is well, then, to point out the ways in which these images may be most effectively aroused.

1. *Words.*—It is difficult to arouse images of touch, taste, smell, temperature, appetite, etc., by means of *words*. But it can be accomplished if the words are chosen carefully for their poetic quality and applied with a certain moderate profusion and cumulative effect. The poetic qualities of words depend on two chief factors.

(a) Their phonic composition.—Certain combinations of oral sounds are in themselves agreeable, and the advertising writer should develop a delicate sense for the feeling tone of sound combinations. Compare, for instance, the auditory distastefulness of the words in the first column with the agreeableness of those in the second.

I	II
Tootsie Rolls	Sapolio
Lemon Squash	Ivory
Waw-waw Sauce	Electroline
Bootz Cordial	Clover Farms
Beakes Dairy	Crystal Domino
Stink	Spearmint
Foot-Eazer	Shakamaxon

This matter of phonic feeling tone can be best studied by using words in a foreign language, whose meanings are unknown. The elements of association and poetic usage are thus eliminated, and striking results are secured. Thus a French woman is reported as having said that "cellar door" is the most pleasing of English words.

(b) Besides arousing the feeling tone due to phonetic composition, words may be pleasant or unpleasant because of *associations* which cluster around them. These associations are largely due to literary usage, though this usage will usually be found to depend on simple psychological facts due to the quality, composition, origin or history of the words themselves. Thus there tends to be, on the whole, a certain set of words which, while conversationally satisfactory, are felt to be inappropriate for use in literary composition. And even in the language of writing, as distinct from language of conversation, certain words and groups of words seem to be sacred to poetry, romance and song. Compare, with this idea in mind, the two following columns of words.

I	II
Horse	Steed
Girl	Maiden

Writing	Scripture
Book	Volume
Candy	Sweet-meat
Jump	Leap
Hogs	Swine
Light	Ignite

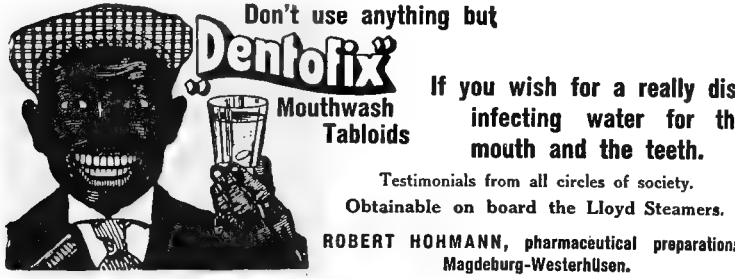
The factors involved here are too complex for brief discussion. It must suffice to point out that the image-power of words depends largely on their feeling tone. An appreciation of this feeling tone must come from literary training rather than from scientific experiment.

2. *Pictures.*—A peculiar thing about these images from the lower senses is that, although they are not easily aroused directly by words, they come rather easily and vividly when a visual image or impression is present to help them into consciousness. Consequently, the most effective way of producing them is by means of suggestive pictures of tasteful scenes associated with the article, or by a tempting array of pictures of the objects themselves, in a setting which itself possesses agreeable feeling tone.

The important thing here is the necessity of avoiding *disagreeable images* or *negative suggestions,* either in,

1. The picture itself.
2. The reading matter.
3. The name or brand mark.
4. The adjacent advertisements.
5. Chance associations.

These points can be best illustrated by giving instances of their violation.



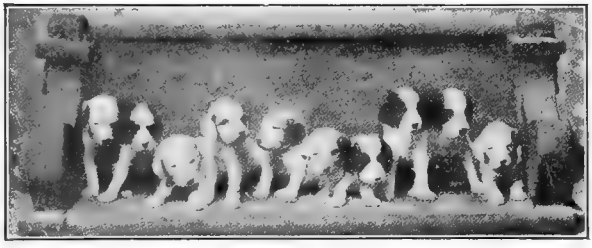
INAPPROPRIATE FEELING TONE MAY IN SOME CASES BE PROVOKED BY THIS ADVERTISEMENT

1. The picture of a guest at a restaurant table refusing a substitute for some article the name of which appears nearby in bold type is likely to associate the act of rejection with the very article advertised.

2. The suggestions of substitutes, even in the nature of warning, is considered in general to be a bad method psychologically. It calls up extrinsic, foreign imagery, in the place of relevant pictures.

3. The third point is constantly violated by advertisements which associate disagreeable words, objects or people with the commodity, as

Slimy fish with medicine
Guinea pigs with toilet preparations
Tramps with soap and lotions
Cattle with tobacco
Frogs with coffee
A dirty floor with soup
Butterflies with sugar etc.



FEELING TONE OF ASSOCIATIONS INAPPROPRIATELY USED. Cover of a folder issued by Schonland Bros., sausage manufacturers in Portland, Me. (From *Advertising and Selling*, Dec., 1910.)

4. Writers have frequently pointed out the futility of placing a breakfast food advertisement alongside one for an asthma cure, that of a delicate dessert next to a remedy for eczema, etc. The important principle here is that the feeling tone of an appeal depends not entirely on our reaction to that appeal alone, but also on our

general mood at the time. And this general mood is easily influenced by adjacent advertisements, recent experiences, etc.

5. In illustration of the rôle of chance associations we may instance two facts:

A. An article may be surrounded with a favorable atmosphere, a favorable association cluster, by utilizing an atmosphere already created for another purpose. Thus our attitude toward a Yale bicycle or a Yale pipe is influenced by what we already know of the efficiency of Yale locks or of the prowess and reliability of Yale's football team. Arcadia Mixture smoking tobacco has been sold to many a smoker because of the delightful atmosphere previously drawn about the name in J. M. Barrie's "My Lady Nicotine." There may be certain unethical features involved in such utilization of borrowed atmosphere, but the psychological basis for its success remains, nevertheless.

B. Synæsthesia.—An interesting phenomenon which may some day become of concrete use to the advertisement writer is the fact that certain sensations are often closely associated with sensations from quite different sense departments. Thus sounds of musical instruments, vowels, syllables, may be seen to be *colored*. One man on

record sees consonants as purplish black, while the vowels vary in color. "U" is a light dove color, "e" is pale emerald, "a" is yellow, etc. Thinking of the word "Tuesday," the first part seems light gray-green and the latter part yellow.

In some cases colors accompany the sensations of taste and smell. Salt, for instance, is described by one observer as dull red, bitter as brown, sour as green or greenish-blue, and sweet as clear bright red. One observer sees the taste of meat as red and brown, Graham bread as a rich red, and all ice creams—except chocolate and coffee—as blue. To another observer the sound of the word "intelligence" tastes like fresh sliced tomatoes and "interest" like stewed tomatoes!

These synæsthesias, as they are called, seem, however, to be so individual and personal that no two people are likely to agree on them by present methods of inquiry. If there were more general laws there could be much clever and subtle selection of appropriate colors, words, etc. At present, however, no such laws can be announced.

STRAIN AND RELAXATION

In discussing the suggestive character of horizontal and diagonal lines we have already had

occasion to refer to *feelings of strain and relaxation.* Feelings of this sort are of particular importance in another connection, that of the legibility of type when an appeal is presented to the sense of sight. Many an advertisement fails to

THE HOTEL SEVILLE OFFERS VERY DESIRABLE SUITES OF ANY NUMBER OF ROOMS, WITH ALL MODERN IMPROVEMENTS. THE ROOMS ARE OF VARIOUS SIZES, EQUIPPED WITH LARGE CLOSETS, ARE WELL FURNISHED AND WELL ARRANGED. THE TABLE (A LA CARTE) AND ITS APPOINTMENTS ARE STRICTLY FIRST CLASS. WELL-TRAINED WHITE SERVANTS RENDER STRICTLY UP-TO-DATE SERVICE. ROOMS AND SUITES ARE RENTED BY THE DAY, BY THE SEASON AND BY THE YEAR. A VERY QUIET YET CENTRAL LOCATION, APPEALING PARTICULARLY TO PEOPLE OF REFINEMENT

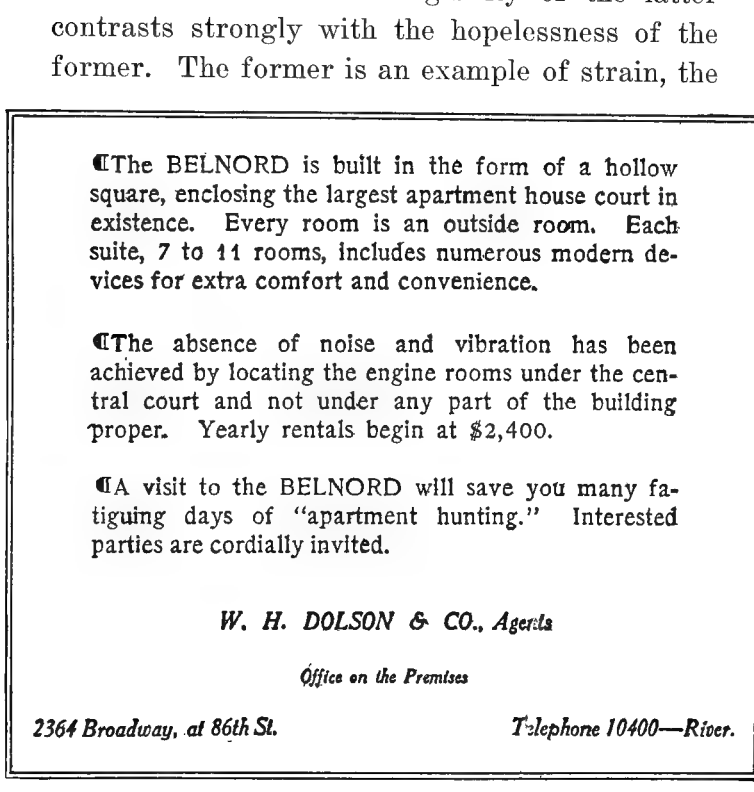
MADISON AVENUE AND TWENTY-NINTH STREET.

EDW. PURCHAS, MANAGER.

STRAIN

influence simply because it is so difficult to read that few individuals take the pains to decipher it. The Hotel Seville announcement shows an advertisement of this sort, which has caught my eye many times, but which to this day I have not yet read, nor shall I ever read it through. Compare this hotel announcement with that of the Bel-

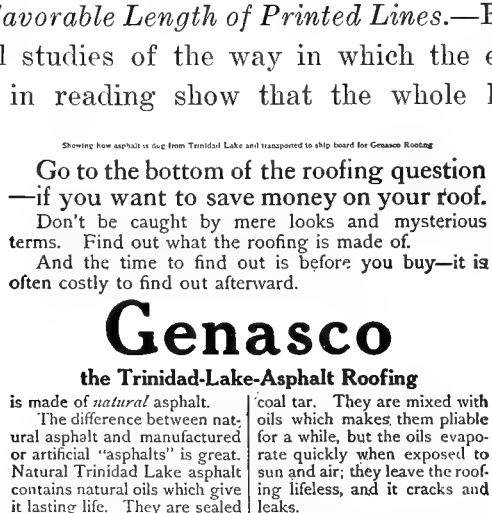
nord. The comfortable legibility of the latter contrasts strongly with the hopelessness of the former. The former is an example of strain, the



RELAXATION

latter an example of relaxation, both being dependent on the legibility of the appeal. In this connection it may be useful to point out some of the factors which make for legibility of printed matter.

1. *Favorable Length of Printed Lines.*—Experimental studies of the way in which the eye behaves in reading show that the whole line of



Showing how asphalt is dug from Trinidad Lake and transported to ship board for Genasco Roofing

Go to the bottom of the roofing question —if you want to save money on your roof.

Don't be caught by mere looks and mysterious terms. Find out what the roofing is made of.

And the time to find out is before you buy—it is often costly to find out afterward.

Genasco

the Trinidad-Lake-Asphalt Roofing

is made of *natural* asphalt.

The difference between natural asphalt and manufactured or artificial "asphalts" is great. Natural Trinidad Lake asphalt contains natural oils which give it lasting life. They are sealed in Genasco and stay there to defend it permanently against rain, sun, wind, heat, and cold.

Artificial asphalts are residual products. Same way with coal tar. They are mixed with oils which makes them pliable for a while, but the oils evaporate quickly when exposed to sun and air; they leave the roofing lifeless, and it cracks and leaks.

When you get Genasco you can be sure of roofing that lasts. And roofing that lasts is the only kind worth having.

The Kant-leak Kleet is the lasting waterproof fastening for seams—prevents nail-leaks, and does away with unsightly cement.

Ask your dealer for either Genasco mineral or smooth surface roofings with Kant-leak Kleets packed in the roll. Fully guaranteed. Write for the Good Roof Guide Book and samples.

THE BARBER ASPHALT PAVING COMPANY

Largest producers of asphalt, and largest manufacturers of ready roofing in the world.

PHILADELPHIA

New York San Francisco Chicago

Cross-section Genasco Model Roofing

Crushed Quartz
Trinidad Lake Asphalt
Asphalt saturated Wool Felt
Trinidad Lake Asphalt
Asphalt saturated Burlap
Trinidad Lake Asphalt

THE USE OF LOWER CASE LETTERS AND OF FAVORABLE LENGTH OF LINE. Reading matter made legible and more likely both to attract and to hold the reader's attention.

printed matter is not seen at once and as a whole by the eye. Nor are the separate letters each fixated in succession, nor are the successive words even examined one by one. The eye fixates

three or four points in reading the line, these points falling where they may—now in the middle of a word, now at the beginning or end, now between two words. When the printing is legible a given line thus requires few movements for the comprehension of the words—a few fixations will cover the whole of the line. But when the printing is difficult to read clearly, the separate letters or words difficult to discriminate from each other, more fixations are required, and these extra fixations mean strain and fatigue. The most comfortable length of line, for ordinary printing, is found to be about three and one-half inches.

2. *Appropriate Spacing of Letters, Words and Lines.*—The spacing used should indicate the natural unities of the material presented. Thus the space between letters making up a word should be less than the width of the letters themselves, while the space between adjacent words should be greater than either of these two distances. The space between sentences should be somewhat greater still. If a number of lines are intended to belong together as a unit or paragraph, the spacing between the various lines should be somewhat less than the width of the lines themselves (as measured by the height of the letters). If this rule is not followed, the space

between paragraphs should be then increased, in order to suggest the unity of the paragraphs. In-

ILLEGIBILITY RESULTING FROM THE EXCLUSIVE USE OF CAPITAL LETTERS IN READING MATTER DESIGNED TO HOLD THE READER'S ATTENTION.

dentation of paragraphs and even of every other line in the printed matter is found to facilitate the process of reading.

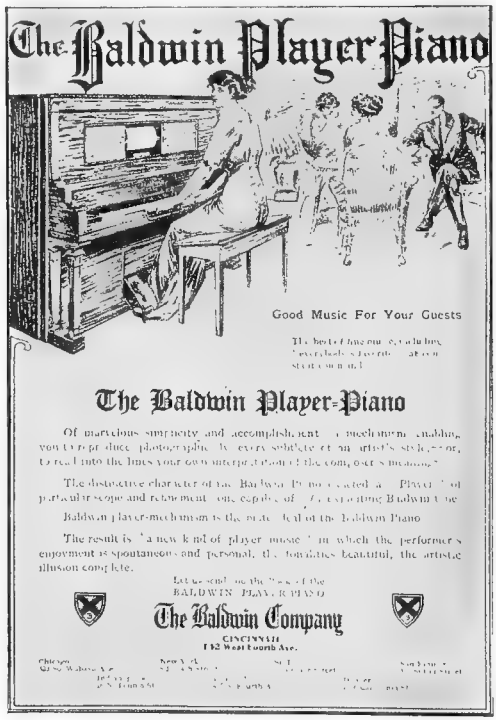
3. We have already seen that we tend to find

meaning in the tops rather than in the bases of things. This is particularly true in reading

Illegibility and Strain Are Produced by Too Great Variety of Type Faces, Interrupted Lines and Ineffective Spacing. All of these make rhythmical movements and adjustments impossible.

printed matter. The eye tends to follow the upper part of the line of letters, and the upper parts of the type faces are the parts which show variety and differentiation as between the different let-

ters. Partly for this reason the "lower case" letters are more easily perceived and read than are



ILLUSTRATING THE EASE OF READING AND FEELING OF RELAXATION PRODUCED BY THE USE OF LOWER CASE LETTERS AND BY THE PRESENCE OF APPROPRIATE SPACING.

capital letters. Franklin Automobile Company's advertisement illustrates the difficulty of reading printed matter composed entirely of capitals. In the case of the Peck-Williamson Company's ad-

vertisement the illegibility is also partly a matter of faulty spacing. The Baldwin Company's advertisement combines the ease of "lower case" letters with favorable and appropriate spacing. It also shows the ease with which the "lower case" letters are read.

4. Ease of reading is interfered with by too great a variety of type faces. Thus the "Underfeed" advertisement is most illegible, partly because of the lack of unity and organization, but largely also because the thirty different kinds of letters and type faces occurring on a single page call for excessive and uncomfortable changes in adjustment at irregular intervals. One of the things which most facilitates easy reading is the possibility of falling into rhythmical habits of eye movement across the page and back again, and rhythmical changes of adjustment of the optical apparatus from moment to moment.

5. A fifth factor of importance is the fact that not all type faces of the same size are equally legible. The type faces which happen to have been most used in printed advertisements turn out, under experimental conditions, to be the least legible of a large group of faces and styles which were studied. The table on page 187 gives the legibility of each of nine different faces, lower

case letters only, when these letters occur grouped as in words. The legibility was measured by determining the maximum distance, in daylight illumination, at which the letters could be correctly identified. Each letter of the alphabet was tested 12 times, twice by each of 6 observers, and the results of the 26 letters were averaged to give the final measure of the type face as a whole. The measures in the table give the number of centimeters at which the given type face can, on the average, be read. All letters used were what are known as 10 point letters, the faces all being Roman, no bold or italic faces being used. Tables for upper case letters and for lower case letters, for 16 different faces, the letters occurring both in groups and in isolation, may be found in an article by Roethlein in the *American Journal of Psychology* of January, 1912. Legibility was found to vary little with the form of the type, but to depend chiefly on the size, width of line, and amount of white space exposed between the letters. The faces differ less when the letters are grouped than they do when the letters are observed in isolation. And it must be said here that even these measurements are by no means complete statements of the legibility of the type faces when used in printing, because much of our read-

ing is done, not by perceiving the separate letters which make up the words, but very largely by recognizing the words as wholes, by means of their characteristic "word forms."

Type Face	*Order of Legibility, cm. distance*
News Gothic	166
Cushing Old Style	165
Century Old Style	162
Cheltenham Wide	159
Century Expanded	159
Scotch Roman	151
Bullfinch	150
Caslon	149
Cushing Monotype	144

Illustrations of these faces may be found in many manuals of reference and data books used by printers and advertising men.

6. A final factor which may be mentioned as contributing toward relaxation in reading printed matter is the background on which the letters occur. A maximum brightness difference between background and type makes for easy perception. When colored background or type is used, the same rule holds, for it is not the difference in color as such, but the difference in the brightness values of the colors used which is effective. We have already had occasion, when discussing *contrast* as an attention device, to explain the greater attention value of black on white, as contrasted with white on black, and to point out that we are

not concerned there with a real difference in legibility. There is some difficulty in reading printed matter which does not differ sufficiently from the brightness of the background on which it appears.

CHAPTER XI

THE THIRD TASK: FIXING THE IMPRESSION

Clearly the work of an appeal does not stop with attracting attention or even with holding it until the copy is read. Rival appeals will be operating, and, if they are at all effective, will have a certain persistence in the consciousness of the reader. Evidently an essential function is that of being able to so impress the reader that in a later moment, when there is *need* felt for an article of the general type, this particular brand will suggest itself as the first of its kind. This recurrence of a previous idea we call a recollection. Now, ideas do not spring up spontaneously in the mind. So far as we can see, an idea is always introduced by virtue of its connection with a preceding thought. If in a moment of need the specific name of an article designated to fill that need is thought of, this happens because that particular name has been, as we say, associated, linked up with the situation of need more firmly than any other name for a similar article. This

dominance of ideas is what we are concerned with in the psychology of *association*. Ideas occur by virtue of previous connections, and these connections are determined by definite laws, can be brought about and facilitated by specific devices, or weakened by failure to conform to these rules.

We shall be better able to understand the laws of association by knowing something of the nervous processes on which they depend. Association takes place when nervous energy from one center flows out into related centers, causing a corresponding related consciousness. This overflowing of energy must take place along a nervous pathway, and this pathway must be formed in the nervous tissue before the exchange is direct. The general rule is that energy radiates out in all directions from a center so long as all the possible paths have equal resistance. Now, if two adjacent centers should discharge at the same moment, there would be a pathway between them which would be doubly excited, and hence its resistance would be lowered. Thus suppose three processes, A, B, C, to have occurred at the same time. Such a pathway will be at once formed between the centers corresponding to these processes. Whenever either of the three occurs at a

later moment it will tend to excite the centers corresponding to each of the others. *Every element thus tends to bring up again the whole of which it was previously a part.* Thus the sight of either of the three words, "Company," "Boston" or "Rubber" will tend to remind the reader of the whole phrase, "Boston Rubber Company."

Three primary laws may be laid down here:

1. Every nervous current leaves traces of its pathway.
2. This trace facilitates the passage of subsequent impulses over the same pathway.
3. Such a pathway tends to drain off energy from other centers which may be active only in a random way.

This process of linkage between the two ideas such as "Boston" and "Rubber" is what we mean by *association.*

PRINCIPLES OF CONNECTION

There are two fundamental principles of association which advertisements persistently and flagrantly violate. In natural thinking there are two laws that control the play of our ideas. Both laws are true in general. But in order for the

advertiser to be effective, he must set one of these laws against the other.

1. The first law is that *we tend habitually to think from particular to general.* If I hear or read "Ingersoll" I at once think "watch," the general class of which the "Ingersoll" is but a particular. If I hear "Rambler" I think "bicycle," "Ditson"—"saws," "Maydole"—"hammers," etc. Now, this is a perfectly natural tendency, but it is of no use to the advertiser, who wants us, not so much to think "watch" when we hear "Ingersoll," as to think "Ingersoll" when we need a watch, "Cluett" when we need a shirt, "Burns" when the general idea "coal" is in the mind. That is, in order to attain his end, the advertiser must force us to *violate a fundamental law of thinking* and to go not from "shirt" to its class "garment," but down to a *particular* shirt as "Cluett."

Now, the strangest part of it all is that the average advertisement not only fails to realize this necessity, but even works against itself by failing to recognize the second general law, *the forward law.*

2. *We tend to think forward rather than backward.* Associations tend to take their original direction and have only little influence in the

reverse direction. You cannot tell me without some reflection what letter comes before the letter "I" in our alphabet. When you can, you will find that you have recalled it by starting with "A" and going *forward*. From "H" to "I" is a perfectly natural transition, but from "I" to "H" is a violation of the law. Similarly you can tell me much more quickly last names of men with given first names than you can the first names of a row of last names. The same is true with a line of poetry. The first word calls up the whole line, but the last word, although it has previously existed in consciousness along with the preceding words, does not tend to call them up to anything like the same degree. Subsequent impulses tend not only to follow old pathways, but they tend to follow them in the direction of the original connection. So if I hear "George" I tend at once to think "Washington." But if I hear "Washington," I do not go back to "George," but forward to "monument," "square," "bridge," etc.

The reason for this first principle is simply that nervous energy tends to spread out from the centers of origin into all related or connected centers, thus calling into play the whole class. The reason for the second law is not clear, but we

may be sure that it has some stable basis in the structure of the nervous pathways.

Here, then, we have a principle which can be employed to counteract the tendency of principle 1.

FORWARD REASONING—CORRECT ARRANGEMENT

We tend to think from particular to general, *other things being equal.* But, if in reading an advertisement, our thought has been repeatedly led from a general to a given particular, by the composer putting the general term first and following it by the particular, *the second law is able*

to offset the first. The general rule should be, then:

BACKWARD REASONING—INCORRECT ARRANGEMENT. The effective method is to *present first* the name of the commodity, or the idea, need, occasion, which shall be in the reader's mind on subsequent occasions. *Follow this* by the name of the particular brand, the firm name, the trade mark, the slogan, etc., which you desire him to think of at the moment when he thinks of the commodity or feels the particular need.

Place first the *general class,* the *purpose or use* to which the article can be put, the word which

will be in consciousness *in the moment of need.* Thus, "the best of Christmas gifts."

Place next the *name of the article or brand* which you desire to connect with the need, or which you desire to make the standard specimen for the general class in question. See the Copley prints advertisements.

If, instead, the first word in the advertisement were "Copley prints," and only later came the words, "best Christmas gift," the idea of "prints" would come to remind the reader of "Christmas," but when he found himself thinking over the "best gift" to purchase there would be no particularly strong inclination to think of "Copley prints."

It seems to the writer that no law is violated oftener than this in current advertising, and that the law is no mere subtlety but an important element in the general efficiency of copy. In fact, the law may be conformed to so fully that the specific brand may come to be synonymous, in the mind of the public, with the general class or use. When this point is reached it becomes necessary to teach not association but dissociation. Thus the Kodak copy must now teach people that not all cameras are Kodaks. The law of association worked so thoroughly here that it now operates

against its original purpose. The case nicely illustrates the fallacy of relying solely on any one principle and disregarding others.

The chief method of fixing an impression received from an advertisement is by connecting it up with the stimulus in which the need for some such article will be felt. There are various ways in which this connection may be made.

I. LAWS OF ORIGINAL CONNECTION

1. *Contiguity.*—This is perhaps the most frequent cause of association. Things perceived side by side, either in space or time, tend to suggest each other, on recurrence of either. Thus "Brooklyn Bridge" calls up "East River."

If a place of business is announced as being "one block from Grand Central" or "near Herald Square," the thought or sight of Grand Central or Herald Square will tend to revive, by association, the name, business, and location of the advertised store.

2. *Similarity.*—Things bearing a resemblance to each other tend to call each other up in consciousness. They do this because certain elements in the two facts are identical, hence tend to call up both wholes of which they have previ-

ously been a part. Thus one person reminds one of another because the two have identically shaped noses. One biscuit reminds one of another because the color of the box is the same. The Jungfrau reminds us of Pike's Peak; Moxine reminds us of Moxie, and will take unto itself any atmosphere of desirability that Moxie has developed. Similarly Yale locks will sell Yale bicycles. The general sentiment seems to be against the use of such similarity appeal as is involved in the reference to substitutes and imitations. Obviously this is only from the point of view of the original article. If you happen to be engaged in the manufacture of substitutes the more of the original atmosphere you can borrow, the better.

3. *The third basis of association is emotional congruity.* This simply means that the *feelings* aroused by two different experiences are the same, and whenever one comes, the feeling produced tends to call up the other also. Thus falling from a trapeze once reminded me vividly of a time when I was chased by an Indian with a tomahawk. The importance of the æsthetic factors of an advertisement comes here strongly into prominence. Not only do pleasing advertisements attract us, and hold us, but we in turn hold them.

Furthermore, any experience with strong feeling tone is better retained than indifferent facts. This is of especial importance in appeals over the short circuit, appeals to feelings and emotions for the sake of vividness.

Connection with pleasurable emotions fixates associations and tends to lead to action. Appeals through sympathy, loyalty, interest, civic pride, local atmosphere, through excitement over current events, through prevalent ideas, crazes, desires, movements, etc., will all tend to be more or less successful, though transiently so. Such advertising must keep constantly changing in tone and direction, and it is both difficult and expensive to "keep one's finger on the public pulse" closely and delicately enough to be able to use these social currents to advantage. When the local excitement has blown over and the incident tends to be forgotten, the article advertised in connection with it tends to be forgotten along with it.

A safer plan is to utilize the stable and permanent emotions more or less common to all times and places. Thus a powerful basis of appeal and spring of conduct, for certain kinds of commodities, is the religious emotion. It is reported that a book entitled "Wonders of Nature" fell flat on the market. The title was changed to "Wonders

of Nature and Architecture of God," and a second edition was at once called for.

II. PRINCIPLES OF REVIVAL

The foregoing are called the *principles of connection* because they have to do with the process by which an association is originally produced. But the fact that a connection has been made does not guarantee the reproduction of the pair. For several ideas might each have been connected with the stimulus, and they could not all be revived at once. There is, then, a further question, viz., how, granted a connection once made, can we be sure that one associate will come rather than some other?

In answer to this question we find a group of principles which we may call the *principles of revival* as distinguished from the *principles of connection.* The first four are the most important. They are, in order of their relative strength:

1. *Frequency.*—Other things being equal, the association most often repeated will be the strongest connection. "Theodore" suggests "Roosevelt," rather than "Sturm," "Cousins," or any other associate, simply because it has occurred more frequently than any other. Every repeti-

tion strengthens the connection, just as every rabbit hopping through the snow emphasizes and defines the path of the rabbit which passed that way before. This is the principle of repetition in advertising. Repetition has both a memory and response value, as we shall see later. In experiments in the laboratory, counting "normal association," or that which results after unemphasized reading, as 26 per cent., *repetition* gives an average value of 64 per cent., nearly three times the memory value of unrepeated material. So among practical men, repetition is considered an effective, albeit an expensive, method of securing publicity. As we have already seen, different kinds of material vary somewhat with respect to their attention value in repetition, relevant words increasing, all cuts decreasing, and irrelevant words remaining on a level. But so far as memory goes, repetition, *if supported by attention,* always strengthens the impression.

2. *The second factor* in relative strength is *vividness.* Vividness may be brought about in many ways—through sheer intensity, through surprise, strong attention, interest, or through connection with some emotion, as fear, hope, envy, etc. The more vivid the impression, the longer it lasts. Strong colors, enormous signs, humor-

ous associations, motor responses such as clipping a coupon, sending an inquiry, etc., are merely varied ways of producing vividness. Compared with the normal value, 26 per cent., vividness gives an experimental average of 52 per cent. efficiency.

Closely related to vividness, and being, perhaps, only special forms of it are:

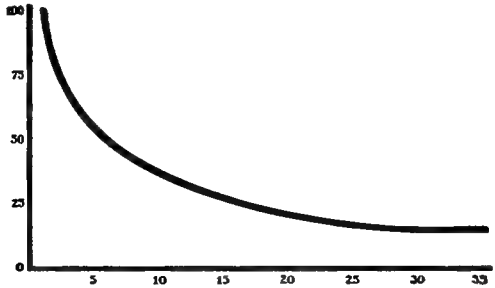
3. *Recency,* with an average value of 50 per cent., and

4. *Primacy,* with a value of 46 per cent.

When all other factors are equal, we can be sure that the first association will predominate. At least the first and last impressions have the advantage. We have already discussed this in the section on "position."

The Curve of Forgetting.—Another important point has to do with the most effective distribution of a series of appeals which are to be addressed, one after the other, to the same person. Circulars, follow-up literature, educational campaigns, etc., often afford instances of this method of appeal. The ordinary method is to distribute the successive appeals according to the calendar divisions of time, as every week or ten days, every two weeks, etc., until all the appeals have been presented. This method proceeds on the as-

sumption that the reader's memory and interest are controlled by the movements of the celestial or terrestrial bodies, while the fact is that memory follows laws of its own, regardless of the conventional and calendar divisions of the passage of time. When a given appeal is addressed to me, I straightway proceed to forget it. But I do not forget it at a uniform rate, so much being forgotten on each succeeding day until all is forgot-



THE CURVE OF FORGETTING

ten. Instead I forget the material that has been seen or learned, according to a definite "curve of forgetting," a curve which descends rapidly at first and then more slowly. The larger proportion of the material is forgotten in the first day or so. After that a constantly decreasing amount is forgotten on each succeeding day.

The height of the curve above the base line here indicates the amount remembered, the figures

along the base indicating the units of time elapsed since first learning the material. During the first ten units as much is forgotten as during all the remaining twenty-five. Of course, the amounts and time units in the accompanying curve are purely arbitrary. Their real value will depend on the quality and the quantity of the material learned and on the time interval chosen. But the form of the curve shows clearly that by far the greater number of repetitions should come at the beginning of the campaign, when the tendency to forget is strong. When the maximum of retention is then reached the later repetitions may be farther and farther apart.

It ought to be obvious at once that the effective distribution of a series of appeals will be a distribution which conforms to this curve of forgetting. The first appeal having been presented, the second should follow close upon it, the third at a somewhat greater interval from the second, the fourth a somewhat longer time after the third, etc., the intervals growing longer and longer until the series is completed. This massing of the appeals at the earlier portion of the total period will result in reinforcement of the first appeal at the crucial moments, the moments when, unless thus reinforced, they tend to be quickly forgot-

ten, thus leaving the later appeals to appear on what is practically barren ground. That is to say, the effective distribution of a series of appeals addressed to the same person will not follow a calendar order such as the following:

1	2	3	4	5
Initial Appeal	After One Week	After Two Weeks	After Three Weeks	After Four Weeks

but will follow a distribution based on the curve of forgetting, as:

1	2	3	4	5
Initial Appeal	After 2 Days	After 5 Days	After 10 Days	After 20 Days

Any one may convince himself of the existence of this law by simply trying to memorize a given amount of material of any sort, by distributing his learning periods or repetitions according to the two plans. This law seems to me to be one of the most important results of the experimental study of memory, and one which the practical man has been surprisingly slow in appropriating.

MINOR DEVICES

Further minor devices for aiding the memory value are: *Ingenuity, rhyme, rhythm,* and *motor reinforcement.* These are really nothing more than forms of vividness, but are distinct enough from each other to merit separate mention.

1. *Ingenuity.*—Just as *novelty* attracts attention and holds it, a curious, bizarre name, package, trade mark is likely to stick. Such words as "Uneeda Biscuit," "Keen Kutter," "Rough on Rats," "Ever Stick," "No Smellee," stick in one's consciousness. The merchant with

Street No. 33
Telephone No. 33
Letters in name, 33
Price of suit, $33

could easily make up an ingenious and impressive advertisement (see Scott). But to be effective under this heading a name must be really ingenious, not merely a hybrid.

2. *Rhyme* and *alliteration* are other things that attract attention and are easily remembered because they suggest in themselves a single unified scheme on which to hang the separate facts.

3. Closely related also is *rhythm,* which reduces the learning of a given amount of material about 40-50 per cent., by lending motor control and further means of association with movements. The writer once tried to teach the English alphabet to a kindergarten class of German children. Several days' effort was unsuccessful. At last the idea occurred to set the letters to the tune of

"Yankee Doodle" and sing them with the class. The alphabet was learned in a single recitation period. Similarly the names of things sung in rhythm or rhyme on the advertising cards tend to be retained. This does not mean, however, that the goods thus sung will necessarily be sold. It is one thing to make a commodity known as "worthy of song" and quite another thing to make it known as "worth buying."

4. *Motor reinforcement* is one of the important aids to memory. Try to memorize a verse of poetry. You will at once find yourself making sets of movements which are designed to aid you in retaining the material; you speak the words to yourself, moving the lips meanwhile, or you write the lines on paper or accompany the learning process by tapping the toes, swinging the body to and fro, nodding the head, etc. Just as clenching the fist or gripping a piece of wood reinforces the leap or brace which one is about to give, so the performance of a motor process in connection with an idea tends strongly to impress that idea in memory. You remember the thing you have done yourself much more easily than the things you have passively observed others performing—the words you write much more easily than the sentence you merely read.

Herein lies the chief importance of invitations to clip out the advertisement, to draw the figure, to write for information or catalogues, to tear off and preserve or return coupons, etc. If the reader can be induced to carry out any such action in connection with the advertisement, the memory value of the copy will be tremendously enhanced. And this follows, not only because more time is spent on the advertisement and more thought given to it, but largely because the motor response reinforces the mental impression.

Obviously the success of such devices will usually depend on the ease with which the action can be carried out. The ideal would be the longest act which the average reader would carry out without the sense of lost time.

MEMORABILITY OF DIFFERENT KINDS OF FACTS

An important factor in putting an article on the market or in keeping it there is that of having a trade mark, emblem, seal, design, or name, by which the article may always be remembered, asked for, recognized and recommended. Herein enter in large measure the preceding factors of rhyme, rhythm, alliteration and ingenuity. But another highly important factor which is little recognized is that of the *memorability of different*

kinds of material. In selecting a mark by which goods, designed for popular consumption, are to be known, it is of real value, for instance, to know that *persons* and *faces* are more easily remembered than *objects,* and *objects* more easily than *actions;* that *form* is more easily remembered and recognized than *color,* although *colors* are more accurately remembered than *numbers.* More numbers can be remembered than colors, but they are likely to be wrongly remembered or remembered as existing in a false order or position.

In a carefully conducted experiment in the writer's laboratory the investigator measured the accuracy with which 40 persons in an audience could observe and remember for a period of three days the various features of an elaborately planned performance which was carried on in their presence. The reliability of each witness was measured, along with the accuracy with which different sorts of facts were reported.

The individual reliability ranged from 38 per cent. to 82 per cent. accuracy, with an average of 62 per cent. It is important to note, then, that the ordinary witness observes only about 60 per cent. of the features of an event to which his attention is already directed. That is to say, 40 per cent. of the advertisements and 40 per cent.

of each advertisement will, on the average, pass unnoticed. Moreover, only about 2 per cent. of readers normally see advertisements. (See Strong.) This gives 2 per cent. of 60 = about 1 per cent. efficiency. Which features, then, will most likely be observed and retained correctly?

The table for this experiment, indicating the relative accuracy with which different sorts of facts are reported when direct questions are asked concerning them, runs as follows:

TABLE X

		Accuracy
1.	Mere presence of things	97%
2.	Number of people	65%
3.	Space relations, form, etc	58%
4.	Condition of objects	48%
5.	Order of events	35%
6.	Color	26%
7.	Size and quantity	22%
8.	Sounds	10%
9.	Time (duration)	8%
10.	Actions (strong attention value but not accurately reported)	

The importance of these facts in selecting trade marks, packages, names, slogans, and points of emphasis for advertising purposes is constantly disregarded.

Another experiment was designed to measure the relative memory value of cuts as compared with that of reading matter. For this experi-

ment proof slips of advertisements designed and kindly furnished by Will Phillip Hooper were used. The advertisements were uniform in size and style, and all contained about equal amounts of cut and reading matter. Twenty-five of these advertisements were examined by each of the observers, who were then requested to select from a collection of ninety advertisements those which they had previously seen. Of the twenty-five original cards, fifteen were present unchanged. Of the remaining ten, five contained the same cut, but the text had been changed, while five retained the original text but bore a totally new cut. The idea was to discover which of these two changes, of cut or of text, would attract more attention, and which would most disturb the memory of the observer.

The following table resulted, showing: (1) that the change in the cut is most frequently detected, thus that the cut has greater *attention* value; (2) that cards with changed cuts are remembered by the text more often than cards with changed text are remembered by the cut, that is that the *memory* value of text is higher than that of cuts; (3) that the combination of the original cut with original text has much higher memory

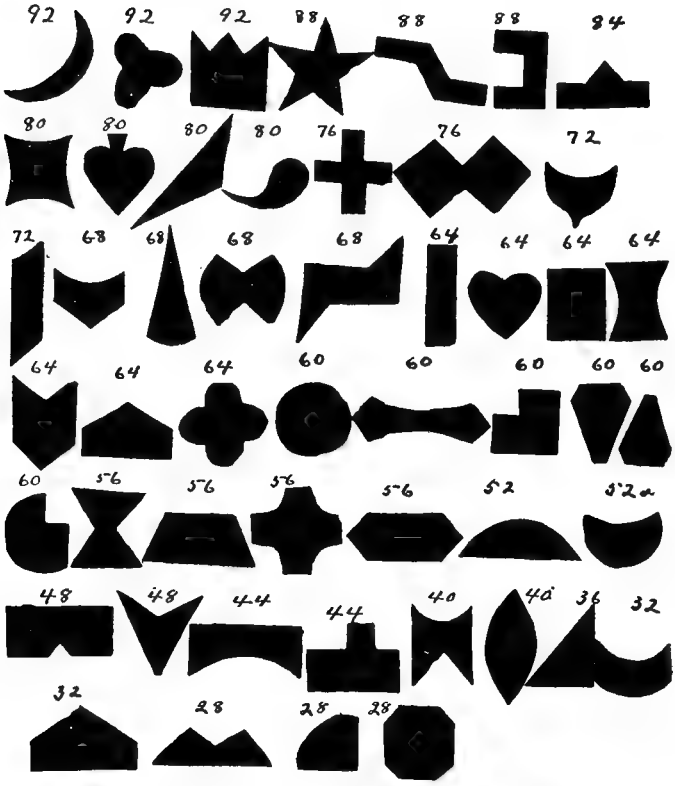
value than that of either of the two mutilated forms.

TABLE XI

Normal ads recognized	77%
Ads with right text but wrong cut	56%
Ads with right cut but wrong text	43%
Substitution of cut detected	26%
Substitution of text detected	17%

TRADE MARKS

In the same laboratory a study has been made of the relative attention and memory value of different geometric forms, such as are commonly used as trade marks. Fifty such designs were chosen, of the same general size and same color. Experiments on twenty-five observers showed these forms to differ widely in the respect tested. The values range from 28 per cent. to 92 per cent. The following plate gives the list of these forms and also the percentage of accuracy with which each was recognized when a group of fifteen previously displayed was selected from a set of fifty which included the original fifteen and thirty-five strange forms. The general principle suggested by this experiment is that those forms are best remembered to which specific names can be given, as "star," "crescent," "crown," etc.



RELATIVE ATTENTION VALUE OF 50 GEOMETRICAL FORMS

VICARIOUS SACRIFICES IN ADVERTISING

The failure to observe the foregoing laws of association and memory often leads to what may be called "vicarious sacrifice" in advertising. A century ago we could consume faster than we

could produce. The situation now is frequently said to be just the reverse, the advertiser often finding it necessary to stimulate consumption. He finds it necessary to create a new need, or to invest an old need with greater urgency, just as Hand Sapolio tried to create an ideal of cleanliness among people not using soap, or as Sapolio created a higher ideal of cleanliness of pots and kettles. (See Balmer, p. 34.)

Once such a demand is created, *non-advertised* articles at once share in the profits. In so far as this happens, the work of the advertiser may be said to be vicarious; it is a free will offering to the non-advertiser. Such sacrifice, however, is often due to the advertising. Thus the early Subway cards of Boston Rubber Company with their "Wet Feet Did It" warnings certainly created a greater demand for *rubbers in general,* but *not* for Boston Rubbers in particular, because this particular brand was not carefully associated in the mind of the reader with the *need.* Experiments which the writer was making with a set of seventy-five subway advertisements at the time showed clearly the tendency not to notice the brand advertised on these cards at all, but to connect the warnings and general feelings of need with a striking card advertising the "Ever Stick"

rubber, which, so far as the writer's knowledge goes, was a rival product. Since that time these cards have been greatly improved.

In conclusion, we may say that a successful advertisement not only *attracts* and *holds attention,* but in so doing it *connects a specific brand or article with a general need,* so that when the general need is felt, the action will not be toward such articles in general, but toward this specific brand in particular. In the following chapter on *provoking the response* we shall seek to analyze still further the ways in which this specific action may be brought about.

CHAPTER XII

THE FOURTH TASK: PROVOKING THE RESPONSE

After all has been said, the final value of an appeal depends entirely upon the effectiveness with which it leads to the desired specific action. No amount of care in framing a solicitation so as to catch the eye, to hold attention, and to stick in the memory, will be worth the trouble if the reader's reaction does not go beyond the appeal itself, and include the article which the appeal announces. Granted, then, that the first three tasks have been adequately performed, what are the principles which control the direction, the certainty, and the force of the response?

Obviously there are two cases to be considered here. First, the case in which the appeal is addressed directly to the life of feeling, impulse and instinct—what we have called the *short-circuit appeal*—and, second, the case in which deliberation, comparison and argument are invited—the "reason why" appeal by means of the *long circuit.* In the first case there is no conflict or

rivalry stirred up in the reader's consciousness; there is simply the attempt to present the article in such a way as to provoke some firmly grounded act of appropriation, to stir up some strong impulse or keen desire and so to lead to favorable action. In the second type conflict is, on the contrary, even encouraged. Selling points, superiorities, advantages, etc., are advanced, and the claims of rival commodities deliberately challenged.

It will be difficult to speak in terms of general laws here, and yet to remain concrete. Conditions will vary according to the article, the reader's temperament and need, local influences, habits and customs. The result is that this is one of the most promising fields for further research in applied and practical psychology. Some of the experiments that are already in progress in the field of advertising will be reported in the chapter on the experimental method. But there is a certain group of principles which can be clearly stated and applied on the basis of what we already know of mental processes in the life of action. These we will take up in turn. Our chief concern will be with the laws of suggestion and with our earlier question concerning the appropriate use of long and short circuit appeals.

DIRECT APPEALS TO FEELING

Short Circuit Action Without Conflict.—We may distinguish two general types of short circuit appeal:

(a) The appeal through command, assertion, invitation, either direct or indirect. Such an appeal will owe its force to the degree to which it conforms to the *laws of suggestion.* At this point, then, these *laws of suggestion* must come in for their share of discussion.

(b) The second type will be the appeal to some definite instinct, or other strong and certain form of reaction. Success here will depend chiefly on the strength and promptness of the instinct to which the appeal is made. Here, then, will be the place to consider the topic to which we have so frequently referred, but as often postponed for later discussion, viz., the question of the relative strength of the various human instincts, and their dependence on such factors as age, sex, class, occupation, training, the commodity in question, etc.

THE NATURE AND LAWS OF SUGGESTION

No little mystery has come to invest the word "suggestion," chiefly because of its constant use

by pseudo-scientific writers in their attempts to develop dramatic interest in the extreme suggestibility of certain states of drowsiness, abstraction, fatigue and hysteria. But there is no more mystery here than there is in any of the simple mental processes along the nervous arc. The fundamental law is that of *ideo-motor action.*[1] In the earlier discussion of the nervous basis of mental processes, we pointed out the law that *every sensory impulse has its inevitable motor issue.* The nervous energy generated or liberated by a stimulus emerges at the other end of the arc in the form of action. This action is usually directed toward the stimulus itself, in the form of movements of appropriation or rejection. Sometimes, however, the response is not so apparent, when, for instance, it takes the form of general bodily attitude, changes in breathing, heart beat, gland action, vascular changes, or general rigidity or tension of muscles. Moreover, the strength of the reaction need not be exactly proportionate to the strength of the stimulus. Sometimes the energy may be drained off into other channels that are active at the time,

[1] The psychological reader should not confuse the law of ideo-motor action, as here presented, with the doctrine that the cause of a voluntary movement is a kinæsthetic image of that movement.

and the value of the response will then be obscured. Again, the direct response may itself drain off energy from other pathways, and its strength be relatively increased.

Closely connected with this law of the inevitable motor issue of sensory impulses is a correlate law which concerns mental processes that do not have an immediate sensory cause. In the section on Imagination we have seen that we may have ideas and images even when there is no corresponding activity of the sense organ. These processes are then due to what we may call the spontaneous activity of the brain centers. This spontaneity, however, will only mean independence of a *corresponding* sensory impression. But the activity will usually be seen to be caused by virtue of the association of the center in question with some other center whose previous activity has stirred it up in what seems to be a spontaneous way. Often the activity is due to some present sensory impression, which, however, does not *correspond* in character to that of the spontaneous image or idea. Frequently this impression is simply a word—the auditory impression of syllables spoken or the visual impression of a written or printed word. The word center is closely associated with the sensory center which

is involved when we actually perceive the object which the word denotes or means. Hence, activity from the word center overflows into the object center, and the result is an apparently spontaneous image, picture, or idea of the object or act which the word suggests.

Now these so-called spontaneous nervous processes have their tendency to motor issue, just as do sensory impulses. *Every idea of a situation tends to produce movements calculated to handle that situation.* This happens just because the discharge of energy from brain center to motor apparatus has become a habit. Constant practice has set up ready paths of discharge between ideational and motor centers. Thus I do not have to deliberately trace out the form of these letters as I write. I simply think the word and, by fixing my attention on the point of the pencil, guide it in straight lines across the page. But the letters form themselves. The simple idea of the word carries itself out into the act of writing it. The interesting and, to the uninitiated, mystifying performances of the planchette, the Ouija board, the automatic writer, the muscle reader, and similar phenomena have been clearly shown to be due to this motor issue of conscious

or subconscious ideas and images in the mind of the experimenter.

Ideas and images of objects, persons and situations tend just as strongly to set up responses calculated to adapt the organism to the particular object, person or situation thought of. Think intently of your cravat, and you will find yourself fingering and adjusting it. Concentrate on the choice cigar in your pocket, and you will likely search at once for the match box. Vividly recall the pleasant languor of a warm bath or the tremendous wind currents of lower Broadway and you will find yourself either stretching out your legs, closing your eyes and reclining in your chair, or, as the case may be, ducking down into your coat collar and clutching your hat brim; and the more you attend to the idea in mind the more completely will its motor issue be realized. If you attend strongly enough you may find the idea amounting to an hallucination—that is, you act just as you would in the presence of the actual object.

This, then, is the fundamental law of ideomotor action, and the basis of what we sometimes call suggestion. *Every idea of a function tends to realize itself, and will do so in so far as it is not inhibited by rival ideas or impeded by physi-*

cal circumstances. Whatever tends to clarify or intensify the image or idea tends to precipitate the act. This is what was meant in the fourth chapter, when it was said that "attention is the basis of every act of will." An idea, once introduced into consciousness, derives its "will power," its action strength, from the degree to which it can completely dominate consciousness. This domination will depend partly on the intrinsic intensity and impulsiveness of the idea, partly on the degree to which it is reinforced by inner processes—attention, ideal, etc. Other things being equal, this power depends on the amount of attention the idea receives.

When such an idea originates more or less directly or spontaneously in the mind of the actor, we call it an *intention,* a *purpose,* an *impulse,* etc. When its origin can be traced further back to some more or less obvious external source, a picture, a command or an invitation of a second person, the behavior of another person or group of persons, etc., we call it a *suggestion.* Suggestion, then, is no more a mystery than the fact that I can speak or write my thoughts, button my coat or sharpen my lead pencil at pleasure. But just as there are certain laws which experiment and general observation show to control the maximum

efficiency of voluntary action, so there are certain conditions on which the action power of suggestion depends. We shall enumerate the most important of these conditions and illustrate them by examples in the field of advertising.

THE LAWS OF SUGGESTION

1. *Decision* is only another name for the final outcome of the rivalry of competing ideas. *It is, then, important, in appealing over the short circuit for a specific line of action, not to suggest interference, not to suggest an opposing action, a substitute, a rival idea.* Any such suggestion will simply impede the action power of the first idea, by inviting comparison and making necessary a more or less deliberate choice. This will immediately involve long circuit response, the direct appeal will be reduced to "reason why" copy, and the original purpose of the suggestion will be defeated. It is not necessary to give examples of the violation or observance of this law.

2. The strength of a suggestion will be the greater the more the suggestion appears to be of *spontaneous internal origin.* Every one of us is predisposed in favor of his own ideas. We instinctively resist encroachment, domination, ex-

ternal control. But we welcome and magnify an impulse, a tendency, a line of action that seems to have originated in our own bosom. For this reason an external suggestion which seeks maximal action power should be addressed to some present interest, personal value or universal instinct. Such appeals are not readily recognized as external and foreign. They are readily assimilated and transformed into personal intentions. Two common tendencies of current advertising take advantage of this principle. One is the tendency to give *news interest* to advertising copy. The advertisement thus easily appears as simply an avenue of information, the beseeching or the arrogant tones are lost, and the action suggested seems easily to be a quite natural and matter-of-fact intention of the reader. The other tendency is the constant use of repetition and variation. By these means the particular time and place of origin of the suggestion are lost. So long as I can say, "This or that suggestion comes from this or that advertisement," the appeal remains external and foreign. But when that same appeal has met me in a score of places and in a score of forms, the particular source fades into an indefinite and apparently universal one, a perfectly familiar one, so familiar, indeed, that the

suggestion seems to have been with me all my life, it appears to be an idea of my own, a plan which I have always harbored, and I am surprised that I have delayed its execution so long. The growing practice of signing advertising copy must certainly work against this second law of suggestion, and is hence utterly unsuited for direct appeals, though perhaps no impediment to "reason why" copy. The Hand Sapolio crusade began with the simple command "Be Clean," expressed in various forms and places. The constant presence of this injunction is said to have unconsciously raised the standard of personal cleanliness, and made a market in the locality for Hand Sapolio. Obviously if this crusade had been flagrantly conducted, or associated definitely with a given signboard or placard, the exhortation would have been resented, rather than complied with.

3. The action power of a suggestion depends, among other things, on its actual *intrinsic intensity, force and vigor.* The motor response to an image is not so strong as that to an actual impression. But the more an image comes to resemble an impression, the more intense and insistent it becomes, the stronger becomes the response. Hence the suggestion should be as definite, pointed, incisive and vigorous as it can be

while yet conforming to the second law. It should ring with confidence, certainty and conviction. The action suggested should be specific, clear and full of necessity. Thos. E. Dockrell, in a trenchant essay on this law, has pointed out its confirmation in history, literature and business, at the same time recognizing the distinction between "domination" and "arrogance"—emphasizing thereby the necessity of conforming to the second law as well as to the third. See in this connection also Scott's chapter on "The Direct Command."

4. Suggestion is most active at its *positive* pole. Whenever possible, the human mind works in terms of positives rather than negatives, similarities rather than differences, presences rather than absences. Ask a group of men to compare two buildings in height, two noises in intensity, two towns in size, two men with respect to their efficiency. Nine out of ten will tell you which is the highest, the loudest, the largest or the ablest. Only rarely will you find a man who thinks in terms of shortness, faintness, smallness or weakness. Just as association leads forward more strongly than backward, so attention, judgment and interest are drawn to the positives, the affirmatives, the similarities of the world. We say

things differ in length, strength, importance, not in shortness, weakness, insignificance. Even when an appeal is couched in negative terms, its positive suggestion is more likely to be realized than its negative. The Old Covenant with its "Thou shalt not" had to be replaced by the New Covenant with its simple positive "Thou shalt."

Münsterberg tells a story of an alchemist who sold directions for turning eggs into gold. The buyer was to hold a pan containing the yolks of a dozen eggs, and stir these eggs for half an hour without ever thinking of the word "hippopotamus." Thousands tried, but none succeeded in resisting the positive suggestion. The same writer continues: "Whether shop girls in a department store are advised to ask after every sale 'Do you want to take it with you?' or 'Do you want it sent?' makes no difference to the feeling of the customers, but may mean for the store a difference of thousands for the delivery service."

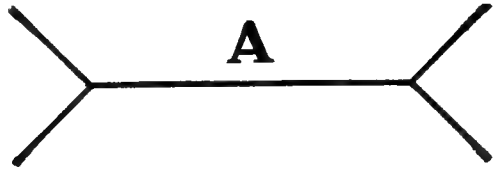
5. The strength of a suggestion will depend also on the *degree of attention* under which it operates. This law follows naturally from the second and third laws in which the importance of intensity and clearness was pointed out. If you will recall the enumeration of the laws and results of attention you will remember that the

processes attended to becomes both clearer and more intense than it would otherwise be. And since intensity and clearness influence to so marked a degree the action-power of a suggestion, the importance of attention is obvious.

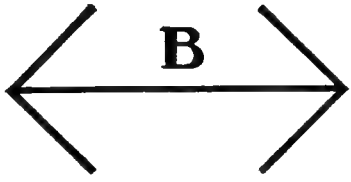
Even when the suggestion is subliminal, that is, below the threshold of consciousness, it possesses action power, and this action power will depend on the variability or constancy of the attention given to the general field in which the stimulus occurs. The writer has often been told by active copy men that the psychological subtleties in advertising are a mere pastime, since the genuine power of advertisements comes from the unconscious influence which they exert on the reader's mind rather than on any conscious mental process set up. It need only be said that in so far as there are such things as unconscious suggestions they operate according to the same laws as do suggestions of which we are keenly aware. These laws of attention, perception, interest, association, memory, choice and action apply to both with equal rigor.

One of the writer's students has recently performed experiments which clearly illustrate the dependence of even unconscious suggestion on degree of attention. It is a well-known fact that

the addition of wing lines pointing in opposite directions may change the apparent length of a base line. Thus the base line in A seems longer



than in B, although they are really of the same length. Practically everybody gets this illusion, which depends upon the strength of some suggestion coming from the added wings. Take the wings away and the lines at once appear equal. What now would be the result if the wings were



really present, but were drawn so faintly that the observer, at the distance at which he is placed in the experiment, cannot detect them, but sees only the broad strong base line? The suggestion afforded by the wings is present on the retina, but too faint and weak to come to consciousness. The experiment here referred to shows that even un-

der these conditions 17 out of 20 observers yield to the suggestion and pronounce A longer than B. Yet at the end of the experiment of 50 trials for each observer, not one of them even suspected the presence of the wings. They merely thought themselves to be judging the length of two simple black lines. Certain other investigators have reported similar results.

But some people get the illusion with subconscious wings more strongly and frequently than others. The table on page 232 shows the per cent. of the total trials in which each observer pronounced A to be longer than B. In such a table 50 per cent. will mean that no illusion is present, but that, being compelled to choose between A and B, the chances are even. But every per cent. above 50 will indicate the presence of the illusion due to the subconscious suggestion. It will be seen that only three observers have 50 per cent. records or lower, the others ranging upward to as high as 76 per cent., the average being 60 per cent.

How can we explain these striking individual differences? Comparison of these records with the scholarship record for the course of study which these people were taking at the time shows high correlation between the scholarship grade

and the illusion record. People who get the illusion strongly are the people with high grades, people with firm and steady attention habits. The people whose illusion records are low are those whose scholarship is also low. The records of the

TABLE XII

Individual	*Per Centage of Times Illusion Occurred*
1	76
2	73
3	72
4	68
5	67
6	66
7	66
8	65
9	65
10	63
11	62
12	60
13	58
14	57
15	57
16	52
17	52
18	50
19	50
20	44

experimenter made during the trials also show that those observers who paid close attention to the task were the ones who were most influenced by the suggestion. It follows, then, that even the unconscious influence of appeals will depend on the degree and duration of attention to the general field in which the suggestion appears.

6. The action power of a suggestion will depend furthermore on the *prestige* of its source. The currents and trends of imitation in social life are perfect examples of this law. Custom, style, innovations, always trickle downward from the higher social strata. The butler apes his lordship and the sewing girl her mistress. In logic and politics and many other places the "argumemtum ad hominem" is a dangerous fallacy. This argument proceeds by saying, for instance, that "man is immortal because Sir Oliver Lodge says he is." The more we revere a speaker for one reason or another, the greater confidence we tend to put in what he has to say on any topic whatsoever and the more prone we are to imitate him and to follow out his suggestions. In hypnotic experiments, the subject, it is said, must be *en rapport* with the operator, must have utter confidence and faith in him if the experiment is to work.

Similarly in laboratory tests of the persuasive value of different types of advertising copy, all investigators, Gale, Scott, Strong and the writer, for example, find that such things as the reliability of the firm, the reputation for straight dealing, the length of time which the firm has survived competition, etc., stand out clearly in direct ap-

peals which the experiment declares to be effective.

7. Closely related to the foregoing principle is the law that the strength of a suggestion will be determined partly by the amount of *internal resistance* which the suggestion encounters. Suggestions to violate lifelong habits, firmly fixed moral feelings, sacred relationships, are impotent even during the hypnotic trance. So in advertising, the attempt to displace habits, usages and practices of long standing by simple suggestion, affirmation or assertion, is a heavy one. The suggestion will be most effective when it can call to its aid some other interest or impulse with which it can coöperate.

8. Finally, the strength of a suggestion will depend on the *frequency* with which it is met. Impression after impression may summate themselves to produce a final intensity greater by far than any single stimulus could be. The rôle of repetition in attention, interest, association and memory we have already pointed out. And here, in the field of action, we find it to have equal if not even greater importance. No better illustration of this principle can be found than the parable of "the borrowing friend." The claims of prestige, sympathy and friendship all failed to

secure the three loaves, but persistence, simple repetition did the work. "I say unto you, though he will not rise and give him, *because he is his friend,* yet *because of his importunity* he will rise and give him as many as he needeth" (St. Luke, XI, 8).

But while repetition is effective, it is at the same time expensive, and hence should not be employed indiscriminately. Repetition should be frequent enough to keep the appeal always fresh in the memory. More than this amount is likely to be superfluous. What, then, will be the most economical distribution of repetitions? In a general way it may be said that the distribution of repetitions should conform to the normal curve of forgetting, which has already been described.

But it should be pointed out and clearly borne in mind that mere mechanical repetition avails little unless the repeated stimulus is attended to with more or less interest. For example, give some one a list of fifty words and request him to name, as quickly as possible, the opposites or synonyms of all the words on the list. Repeat this day after day until the observer has read through the list say 25 or 50 times. Then ask him to name or write down the original list of stimulus words which the card contains. You

may be surprised to learn that only ten or twelve of the fifty words can be given in three to five minutes, and that even in a quarter of an hour the observer will be unable to recall more than about half of the list. He has repeatedly read through the list, that is, mechanical repetition has been present, but he has not read with the *determination to remember,* that is, his interest has not been in the original list, but in the opposites or synonyms which he was required to give. Now give the observer a new list of words, ask him to read them through with the intention of remembering them, and you will find that after a very few repetitions he can repeat the whole list correctly. Mere mechanical repetition, that is to say, is as futile as mere mechanical intensity, magnitude or contrast. Only when repetition is accompanied by *interest* is it likely to be worth what it costs.

CHAPTER XIII

INSTINCTS, THEIR NATURE AND STRENGTH

In the history of the race certain objects or situations in the world have stood out as fundamentally important factors in the struggle for survival, for supremacy and for comfort. Further, definite kinds of response have been proven to be most appropriate in dealing with these objects. Individuals who have reacted promptly and definitely in these appropriate ways have been successful, have flourished, and have left descendants who possessed the same inborn tendencies to reaction. Individuals who for one reason or another failed to react in these appropriate ways perished. The result has been a constant selection of those individuals who possess more and more firmly the natural mechanical tendency to react in the way which race history has proven to be appropriate. These reactions in their finally developed form are called *instincts.*

We may look upon the *instinct* as a very complicated *reflex action.* Just as the eyelid reflexly

blinks when a blow is struck, without the volition of the owner, so the organism behaves reflexly in definitely useful ways in the presence of certain kinds of objects. The sight of one boy sets up the pugilistic attitude on the part of another. The presence of her child leads the normal mother to varied acts of caressing, nursing and protecting. The discovery of a rich gold deposit attracts men from all parts of the world, who dig out ore and hide it away in secret places, just as a bird hides pieces of twine, a water rat all manner of stray objects. The discovery of a remedy for a hitherto incurable disease sets all the world a-talking and a-buying.

These actions we say come so promptly and universally because of the common *instincts* which men possess, instincts of pugnacity, rivalry, maternal love, accumulation, acquisition, self-dependence, curiosity, play, construction, economy, sympathy, imitation, family affection, social co-operation, display, sexual mating, hunting, hospitality, civic and national pride, leadership, etc., etc.

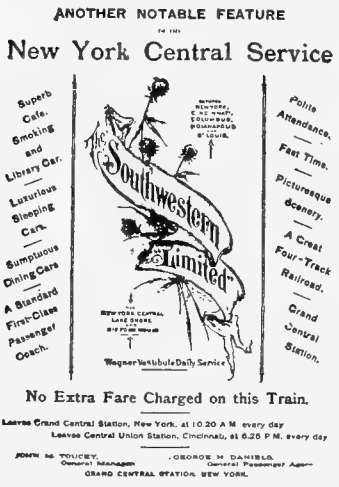
From the point of view of the advertiser, the important thing is that if an appeal can but touch off one of these instinct mechanisms it is sure of at once possessing attention power, interest,

imagery, association and memory value, and is extremely likely to set up strong response. And the stronger and more universal the instinct, the greater the likelihood of its effectiveness. Most articles can be described so as to appeal to any one of a wide range of instincts. Thus an ordinary article, such as a clothes-dryer, can be emphasized as cheap, as safe, as popular, as home-made, as amusing, as clean, etc. An advertisement of the Hill Clothes Dryer, wretchedly constructed from the artistic point of view, nevertheless presented an argument which appealed strongly to the universal interest in bodily safety. In an experiment on the relative persuasiveness of 75 subway cards the writer found this card to be unanimously the most convincing of the series. And he is informed that the copy has produced gratifying results from the point of view of sales.

Twenty years ago advertisements failed to recognize the specific character of instincts; appeals tended to be of a vague, generalized sort which in our day would pass unobserved by a busy public. But the present practice is more and more to recognize the specific instinct as a basis of appeal, and to concentrate the appeal strongly on a single instinct rather than to distribute it among many. The following pairs of advertisements reprinted

from *Advertising and Selling* clearly show this tendency. Compare the vague, generalized copy of 1890 with the definite pointed appeals of twenty years later.

We shall take up, in a moment, the question of the relative strength of these specific instincts as


ANOTHER NOTABLE FEATURE
in the
New York Central Service

Superb Cafe, Smoking and Library Car.
Luxurious Sleeping Cars.
Sumptuous Dining Cars
A Standard First-Class Passenger Coach.

The Southwestern Limited

Polite Attendance.
Fast Time.
Picturesque Scenery.
A Great Four-Track Railroad.
Grand Central Station.

Wagner Vestibule Daily Service

No Extra Fare Charged on this Train.

Leaves Grand Central Station, New York, at 10.20 A.M. every day
Leaves Central Union Station, Cincinnati, at 6.25 P.M. every day

JOSEPH M. TOUCEY, General Manager
OSBORNE H. DANIELS, General Passenger Agent
GRAND CENTRAL STATION, NEW YORK.

1890—

1910

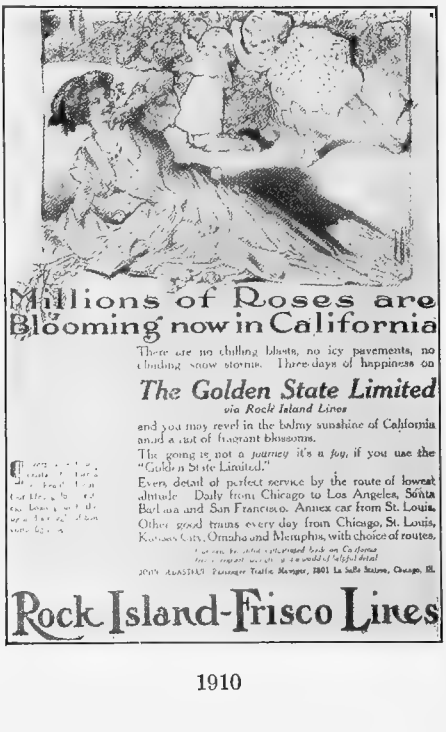
a basis of appeal in advertising. But before passing to this problem, it is necessary to point out another important group of factors, which, while they can scarcely be called instincts, yet closely resemble them in character. The instinct we are born with. It is the result of the experience of our ancestors. But during our own lives

we all come to acquire certain other prompt reactions to the particular things in our experience.

1890—

Thus, the moment a thing can be demonstrated to be *chic,* stylish, nobby, modern, popular, clean, artistic, imported, scientifically made, guaranteed, elegant, socially advantageous, progressive, gentlemanly, bohemian, refined, sporty, up-to-

date, used by some favorite, etc., etc., it will at once find a market of greater or less extent and permanence.

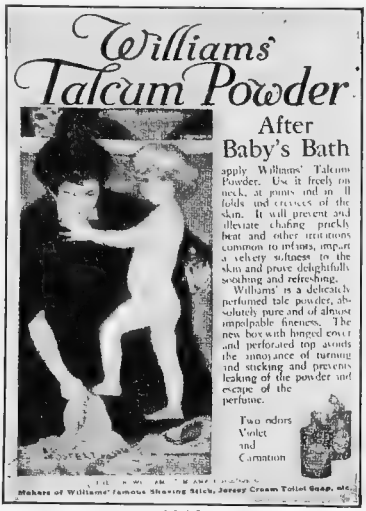


1910

Let us call these ideas *effective conceptions.* The general law is: Besides our instinctive actions our conduct roots largely in a few fundamental conceptions, ideas, values, standards, which we apply as action criteria. The moment

an appeal, a suggestion, an object, can be classified under one or other of these headings, our attitude toward it is determined. Throw an atmosphere of elegance, of style or of healthfulness

1890—



1910

about clothing, breakfast foods, soaps, musical instruments, etc., as the case may be, and the reader will at once react to it by "short circuit" response, either favorably or unfavorably, according as the conception used is in his particular case *effective* or *weak*. Since these *effective conceptions* are in their action similar to *instincts*, we may group the two together in our attempt to learn how these differ among themselves in

strength and action-power, how these differences vary with sex, age, class, occupation, commodity, etc. We must say to begin with that this is at present a field which is almost unworked experimentally. General comments and opinions are abundant, and they are just about as reliable as such random observations usually are. The experimental results which we shall report will, then, represent pioneer investigations of their kind, and must be held subject to such modification and correction as later investigation shall suggest.

So far we have emphasized only the principles controlling the direct appeal to "short circuit" response. There remains yet the "reason why" appeal to comparison, argument and deliberate choice, to the "long circuit" action of reason. It is evidently impossible to say in general terms what sorts of arguments, what methods of reasoning, what sort of "selling points" or "reasons" will be effective. These facts will vary with the type of article advertised, with the type of man appealed to, and with the actual points of superiority which the goods may chance to possess. But it may be said that even in our reasoning it is the appeal to *our own* point of view, *our own* dominant instincts, conceptions, values,

habits and needs that constitutes the most effective argument. The answer to the question of the relative value of types of argument, selling points, etc., may then be left to the experiments which are to follow.

Since the short circuit appeal is based on the fact that human beings are equipped with certain instinctive tendencies to react in definite ways toward particular objects or situations, it follows that this type of appeal is particularly adapted to the case of certain commodities—to those types of articles toward which or toward the use or services of which we react with promptness, certainty, and feeling. And since acquired habits come to resemble instincts in these respects, we may include both habits and instincts as the basis of the short circuit appeal. In a general way we may say that the following principles are true.

The short circuit appeal (display advertisement, appeal to instinct, feeling and habit) is well adapted:

1. For all *personal* articles, the use of which is *intimate* and *private,* as toilet articles, gifts, stationery, etc.

2. For articles of *luxury, display,* and *adorn-*

ment, as jewelry, fancy dress goods, feathers and plumes, flowers, etc.

3. For articles enjoyed *in themselves* or *for their own sake,* rather than for remote service which they may render, as drinks, musical instruments, sweetmeats, toys, etc.

4. For articles calculated to promote the *bodily safety* of the individual or of those dependent on him, as disinfectants, safety devices, insurance, weapons of defence, etc.

5. For *all food products.*

6. For all clothing which tends to be ornamental rather than utilitarian in character, as ties, collars, laces, canes, etc.

The long circuit appeal (reason why copy, argument, comparative statement of advantages, etc.) may also be used to reinforce the strength of many of the short circuit appeals used in such cases as those just enumerated. But it is especially fitted, by its nature and by the way in which it will be reacted to, for articles which are the reverse of these in character; for articles which are in themselves, or from the use to which they are put, impersonal, utilitarian, instrumental; and for articles which are intended not so much to fill present needs only, but also to create new needs or desires—such articles as books, plows, buttons,

hammers, trucks, etc.—in general, to those things which partake of the nature of a *tool.*

It is further true that not all instincts are equally strong, not all habits equally coercive. This being the case, information concerning the relative strength of various possible appeals to interest, attention, instinct and response tendencies is desirable. To men who desire to make their copy or their selling talk effective, and at the same time economical, the question of the relative strength of appeals, instincts, interests and effective habits is a live one. The writer has repeatedly been asked by such men to state the relative strength of various appeals in the case of the average man—to say in how far certain interests are universal, to what degree certain general types are pronounced, and how they are distributed and conditioned by age, sex, race, etc. The practical man expects the expert psychologist to possess such information, and he has the right to expect much more than we are at present able to tell him.

Only one or two fragmentary attempts have been made to answer such questions experimentally. Thus Harlow Gale studied a series of soap advertisements by the method of questionnaire and voluntary introspection. His results,

when worked over into terms of relative position, would yield some such result as the following. The smaller the number the higher the position, hence the stronger the appeal.

TABLE XIII

Appeal	Relative Position	
	Men	Women
Purity by government's test	2.46	2.29
Old firm	2.68	2.11
Home industry	3.22	3.49
"Attractiveness"	3.50	3.49
Special sale	3.68	4.06
Souvenir prize	4.62	3.47

The manager of a western magazine, as reported by Scott, secured thousands of replies from readers as to which advertisement for a given month had interested them most, and why. The following table resulted:

TABLE XIV

Reason	Number of replies
Reliability of firm or goods	607
Money considerations, cheapness	508
Beauty of the advertisement	418
Presented goods needed at the time	408

Obviously such meager and generalized results are of little value. What is needed is a series of

TABLE XV

Table shows the result of an experiment, in which the appeals were specifically stated to be advertisements of BREAKFAST FOODS. These appeals were also arranged by fifty persons, and the table gives the average for the fifty. No pictures were used in these appeals, the words alone serving to direct the appeal to the special interest or instinct concerned. The second column gives the Probable Error of the average. Thus, taking Doctor's Recommendation as a sample, its average is 7.5, and its probable error .5. This means that the value is not absolutely 7.5, but may go up as high as 7.5–.5 or 7.0, or that it may go down as low as 7.5+.5, or to 8.0. The numbers in each case indicate the average value in a series of twenty appeals, the smaller the number the stronger the appeal.

Breakfast Foods

Average Position in a Series of Twenty Appeals, both with and without pictures Group of Fifty Men and Women of Varying Class, Education, Color and Age

Avge=Average position of the Fifty Judgments

P. E.=Probable Error or Reliability of Average

APPEAL	Avge.	P. E.
Purity	5.6	.4
Doctor's Recommendation	7.5	.5
Taste No. 1	8.6	.5
Food Quality	9.1	.6
Taste No. 2	9.2	.5
Healthful	9.3	.4
Brain Power	9.4	.5
Old Firm	9.8	.5
Magnifying Glass (Health)	9.9	.4
Mental Dullness	10.2	.5
Roosevelt Recommendation	10.3	.6
Shot from Gun	10.3	.5
Cheapness	10.4	.4
Used Everywhere	11.0	.4
Men Like It	11.4	.5
Necessary as Turkey on Thanksgiving	12.2	.5
Home Industry	12.4	.5
Royalty	12.8	.6
Enormous Plant	14.5	.4
Souvenir Free	15.8	.4

rigorous test experiments, under conditions which are constant, and by methods which will afford comparative numerical measures.

Strong has reported experiments designed to determine the relative value of various arguments in favor of a given type of commodity by securing typical advertisements of such articles and using the methods which were referred to in the first chapter of this book and which are to be described in detail in the chapter which is to follow. His studies include such special articles as vacuum cleaners, pianos, breakfast foods, and soaps. An interesting presentation and interpretation of his results is given in his doctor's dissertation on "The Relative Merits of Advertisements." The preceding tabulation of the results of the series of breakfast food appeals will serve as an example of the suggestive information which such experiments yield.

Studies of the sort reported by Gale, Scott and Strong (some of Strong's experiments have been subsequently repeated and confirmed by Starch, with clothing advertisements) are especially useful as pointing the way toward the possibility of a complete exploration of the range of human interests and instincts. In the following chapter will be given an account of such an attempt, which

in point of time antedated the experiments of Strong and Starch, but which logically follows upon them. We shall there present a series of measurements which apply, not to special articles, but to all articles in general, arranged in such a way that the relative value of various appeals for any specified commodity may be approximately determined by reference to the larger table.

It should be said here that we are not interested, in this connection, with the strength of the various instincts and interests in phases of life other than that of the business transaction. Nor can knowledge of the strength of the various instinctive tendencies as they display themselves in the home, the school, or in sport, serve as a basis for determination of the strength of the same instinctive tendencies when they constitute reactions to business appeals. Thus one might be exceedingly vain and much concerned with his personal appearance in a general way, and yet mistrust appeals in the way of advertisements and selling talks based upon such an instinct. One might be sedulously careful of his health, so far as his own activity might be concerned, and yet mistrust assertions of the health-promoting qualities of any advertised article of commerce. And

an individual with strong imitative tendencies with respect to his general behavior might yet refuse to adopt a given article or style of dress merely because some favorite opera singer or public official had recommended it.

CHAPTER XIV

THE RELATIVE STRENGTH OF THE CHIEF INSTINCTS AND INTERESTS

Before taking up the main topic of this chapter, it will be well to consider in some detail the method by which the results here presented were secured. We have frequently had occasion to refer to methods of measuring the strength of such subjective things as the strength of appeals, the persuasiveness of advertisements, etc. How, now, is it possible to measure these subjective factors, so long as there is no objective scale with which they may be compared? A few illustrations may throw light on the problem.

Suppose that I have in my laboratory a series of weights which differ from each other by very small amounts. Suppose, further, that I desire to know the relative weight of the members of the series, but have no balance with which to weigh them, and that the differences between those most like each other are so small that I cannot absolutely trust to my judgments when I lift

the weights in my hand and compare them with each other. I may be led to mistrust my judgments because I do not always judge consistently, or because the judgments of other people in the laboratory disagree somewhat with mine. These conditions being given, is it possible for me in any way to determine with certainty the order of the weights as that order would turn out if a balance were available? The answer is that it is not only possible, but at the same time very easily accomplished. All I need to do is to let a large number of people, say twenty different individuals, arrange the weights in what seem to them to be the order of their relative heaviness, when lifted in the hand. Then taking the average of the twenty judgments of each weight in the series, I derive a final order based on the combined judgments of the twenty observers. This final order will be found to coincide with the order of heaviness as determined by the balances, when such are available. Anyone who doubts may easily satisfy himself by trying the experiment. If there are, say, seven weights in the series, and five different individuals pass judgments upon them, some such table as the one on page 255 will result:

The order of heaviness, as determined by the judgments of the group of observers, is seen to

afford a correct statement of the real relative heaviness of the series of weights. The objective scale (the balance) is unnecessary. We have used it here only in order to check up the order as de-

TABLE XVI

Typical Table Resulting from Order of Merit Method

The Weights	Position in order of weight, as judged by five persons					Average Position	Order of Heaviness
65 grams	7	6	7	7	7	6.8	1
63 grams	6	7	6	6	5	6.0	2
61 grams	4	5	4	5	6	4.8	3
59 grams	5	4	5	3	4	4.2	4
57 grams	3	2	3	4	3	3.0	5
55 grams	1	3	2	2	1	1.8	6
53 grams	2	1	1	1	2	1.4	7

termined by the judgments. In the same way it is possible to determine the order of intensity of a series of sounds, the relative legibility of specimens of handwriting, the relative length of lines differing only slightly from each other, the relative excellence of literary compositions, the relative eminence of scientific men, the relative persuasiveness of selling talks, the pulling power of advertisements, the strength of various appeals to instincts and interests.

It must be noted that in the experiment on the series of weights, I do not ask my observers to arrange the weights in the order in which they think

they would appear to some other individual, nor in the order in which they think they would appear to people in general, nor even in the order in which they think the weights would be shown to stand when measured on the balance. I instruct each individual, "Arrange the weights in the order of heaviness as they seem to you when you consider them. Arrange them in the order in which they affect you when you lift them." Similarly, if I am studying a series of advertisements, I do not say: "Arrange these appeals in order according to the way in which you think they would affect *other people,*" but I say: "Here are a series of appeals. Arrange them in order according to *the degree to which they make you desire the article,* or interest you in it, or incline you favorably toward it." That is to say, I do not ask him to judge whether or not the various appeals are *good advertisements* (persuasive to people in general). Similarly, if I am studying a series of landscapes, I do not ask my observers to arrange them in the order of beauty as they think other people would be affected by them. I merely say: "Which picture is most beautiful *to you?* Put it at the top. Which of the remaining ones is most beautiful? Put it next in order, etc." But my *final* orders of merit *will* represent the

way in which people as a whole, in general, on the average, or in the long run, will react to the objects studied. Or if any objective measurement is possible, the final order will coincide with these objective measurements. In other words, the determinations afforded by the experimental methods are *true measures* of the qualities or traits investigated.

This is the method which was used in measuring the relative pulling power of the different series of advertisements discussed in the first chapter of this book. And it was there shown that the results of the laboratory tests actually enabled us to know in advance the relative order of pulling power of the advertisements when they were used in business. It should be said further, that, by the use of the proper precision and statistical method, it is not only possible to determine the relative order of these subjective factors, but to measure the *amount of difference* between the various members of the series. A discussion of these further refinements of the method would involve more technicality than it is the purpose of this book to contain. Readers who may be interested in knowing more about the method, its history, applications, and possibilities, may be referred to Strong's monograph en-

titled "The Relative Merits of Advertisements." This monograph consists of the elaboration and justification of the method here described, with applications. Thorndike's "Mental and Social Measurements" gives a useful account of the statistical and mathematical points involved in such measurements.

Having given this brief description and justification of the laboratory method, we are now ready for the results of an extensive experiment on the strength of such appeals as may be used in various business situations. In order to get at the strength of the appeal in itself, and independently of any particular article or brand in connection with which it might appear, abstract appeals have been used, which referred not to any commodity in particular, but to an ideal, imaginary article, designated by an abstract symbol, such as 3K7. The value of abstracting from particular commodities will be pointed out after the results have been given. Fifty abstract appeals, each designed to reach a definite and different interest, instinct, or line of argument, were prepared. These appeals were typewritten on separate slips of paper, and presented without being accompanied by picture or illustration. In addition to the statement of the appeal, each card bore a sin-

gle word or pair of words, designed to emphasize the specific character and direction of the appeal, to reinforce the suggestion or argument offered by the text itself, and to insure, in so far as possible, the same attitude on the part of all the observers in the presence of the respective appeals. By employing such material the following results were secured:

1. Each appeal tends to be single and uncomplicated by other interests.
2. Each is divorced from reactions to any article or brand as such.
3. The elimination of illustrations and the use of the same general style and expression lends homogeneity to the group of appeals.
4. A wide range of specialized isolated appeals is secured, which fairly represents the possible range of appeal afforded by human nature.

The series of 50 appeals was given to each observer, along with the following printed directions.

DIRECTIONS

(Read these directions two times, carefully, before beginning the experiment.)

This is an experiment in the psychology of advertising. Its purpose will be explained after you have finished the series. Each card contains an advertisement of some fictitious article, indicated by a letter-numeral symbol (thus, 3K7). It need make no difference what the article might really be. It may be well to assume that all the cards advertise different brands or makes of the same article,—some ideal, imaginary article, to which any or all of the advertisements might apply.

I. Read all the advertisements through and arrange them in five consecutive piles, in an order of merit,—according to their *persuasiveness, i. e.,* according to the degree in which they make you *desire* the article or *convince* you of its merit.

There will thus be five degrees of *persuasiveness,* which might be roughly designated:

1. Most persuasive.
2. Very persuasive.
3. Fairly persuasive.
4. Mildly persuasive.
5. Least persuasive.

Arrange the five piles in a row so that Group 1 is at the top, Group 5 at the bottom, and the three other

groups in their respective positions between these extremes.

II. Having done this turn to the top pile (Group 1) and arrange the advertisements in that group in a strict order of merit,—the strongest in the pile thus getting the first position, the next strongest the second position, and so on.

After the top pile is arranged, treat each of the other groups in the same manner. In this way the whole series of advertisements will have been arranged in an order of merit series with respect to their *persuasiveness*,—with the *most persuasive* at the top and the *least persuasive* at the bottom.

III. Without disturbing your arrangement of the Groups, notify the experimenter that you have completed the series.

The 50 different appeals follow, arranged in a final order of merit for a group of 40 observers, consisting of 20 men and 20 women. The first pair of figures gives the *average value* and *mean variation* for the women, the second pair the measures for the men.

1. 1K6,—SCIENTIFIC:—Our 1K6 article is manufactured by approved scientific methods and by scientifically tested processes, by technically

trained men, working under the constant supervision of experts.

2—9.1; 2—8.4

2. 1W5,—DURABILITY:—Combine utility with durability by using 1W5. It lasts one-third longer than the ordinary article. Stands the wear and tear of constant use, combining equal quality with greater permanence and longer service.

1—8.2; 6—8.0

3. 1F3,—SANITARY:—This is the only sanitary 1F3 on the market. Put up in germ-proof, dust-proof, hermetically sealed packages, and made of strictly pure and unadulterated ingredients.

5—7.7; 3—10.5

4. 2D8,—EFFICIENCY:—Actual energy, earning power, is what counts in modern business. The day is past when recognition rested on pull and social influence. 2D8 will increase your efficiency 25%. By no other means can you secure such prompt and sure increase of producing capacity.

7—12.8; 8—13.7

5. 1T8,—TIME:—Save the minutes and the hours will save themselves. Time is money. Our latest 1T8 is the biggest time saver on the market. Does in twenty minutes what requires, with other brands, a half an hour.

3—8.6; 14—12.2

6. 1N6,—APPETIZING:—Try 1N6. It comes fresh from the field and its appetizing flavor is a treat to the palate. It makes a dainty breakfast, a delightful luncheon, and a delicious dessert.

13—8.9; 5—8.8

7. 2B7,—FAMILY AFFECTION:—A final day must come to every man, and no one wants to see his children left dependent on mere accident. You owe a duty of provision and foresight to your family. A 2B7 will guarantee this comfort and security when you are gone.

17—13.5; 1—7.7

8. 1Z5,—VALUE:—Absolutely superior quality and finer finish. 1Z5 may cost a little more, but it's worth the difference. One trial will convince.

4—7.3; 16—10.1

9. 2L7,—EVOLUTION:—Our latest 2L7 is the result of generations of experience and experiment. After years of trial 2L7 stands distinctly in a class by itself as the final product of a long evolution,—the climax of mechanical genius.

11—10.9; 12—9.1

10. 2C8,—AMBITION:—There's always room higher up. Capable leaders are always in demand. Why stay among the incompetent when 2C8 will bring you a better position and increase your salary. The man who uses 2C8 is sure of recognition and rapid promotion.

6—10.9; 18—13.5

11. 2F6,—SELF-DEFENSE:—Forearmed is forewarned. Your life is always threatened by some lurking danger or another. With 2F6 in your home you are always secure and able to protect the rights and person of yourself and of those whose safety is your chief concern.

15—9.7; 10—11.3

12. 1R4,—REPUTATION:—Established in 1870, we have been for 40 years the leading manufacturers of 1R4 in the country.

We have the longest and most enviable record of any house, in our line, on the continent.

9—12.8; 21—12.0

13. 2E9, — GUARANTEED:—Our well-known trade-mark guarantees quality and satisfaction. All our 2E9 is strictly warranted high grade. Your money refunded if 2E9 does not accomplish all we claim for it.

10—12.7; 20—11.4

14. 1P5,—STIMULATING:—1P5 fortifies the body against the inroads of toil and disease, gives new life and vigor to tired muscles and nerves, and removes unnecessary strain and fatigue.

12—9.6; 41—19.4

15. 1V3,—SAFETY:—Avoid danger by using the only absolutely safety-built, accident-proof 1V3. Do not court danger by taking chances. This is the only 1V3 in which you get all the protection and none of the risk.

26—11.5; 7—10.2

16. 1E5,—POPULAR:—The name is on all tongues. You will find 1E5 in the ladies' dress-

ing-room, in the scholar's study, in the nursery, in kitchens of the humble, in crowded Eastern cities and on limitless Western plains. Used in millions of homes and everywhere it is on top.

29—13.2; 4—9.9

17. 2R5,—ECONOMIZE:—A dollar saved is a dollar earned. 2R5 will save you money. Why not cut down expense items and start a bank account. 2R5 will help you do it.

14—8.0; 19—7.3

18. 1Q3,—MATERNAL LOVE:—Nothing is too good for baby. 1Q3 comforts and soothes the little chap and makes of babyhood one happy play time. Assures the children's health and enjoyment.

18—11.4; 15—11.8

19. 1J4,—MODERNITY:—Strictly up-to-date design with all the latest improvements. 1J4 is equipped with every advantage and ingenious device known to recent invention.

22—8.8; 13—11.6

20. 1C3,—HEALTH:—As a general tonic, 1C3 is unequaled. It nourishes the system, enriches the

blood, builds up firm, healthy tissue and gives tone and color to the whole body. Prevents grippe and pneumonia.

8—10.9; 30—15.6

21. 1X9,—QUALITY:—Why keep on wasting money when for the price of the ordinary article you can get our own superior 1X9. Goes farther and does the work better than any other.

16—12.5; 22—9.5

22. 1A7,—ELEGANCE:—Nothing contributes so strongly to the luxurious comfort of the modern home as 1A7. Its presence gives dignity and elegance to the whole and creates an atmosphere of daintiness and distinction.

30—10.9; 11—10.3

23. 1G2,—BARGAIN:—No 1G2 was ever offered before for the money. As good as any others and only two-thirds their cost. We are enabled to offer this proposition only by virtue of our mammoth plant and enormous capacity. Why pay more?

28—11.0; 17—12.0

24. 2Q7,—SYMPATHY:—Kindness is the first law of humanity. Much of the pain and discomfort inflicted on dumb animals could be relieved by using 2Q7. Be humane to your beast. Use 2Q7.

37—15.3; 9—9.9

25. 2O8,—NECESSARY:—You cannot afford to do without 2O8. It is indispensable in your home, in your business, in your recreation. Every man, woman and child needs it constantly.

20—8.2; 27—14.0

26. 2W8,—MIDDLEMEN:—Why pay middlemen's profit? Buy direct from the manufacturer and keep the profits yourself. We make 2W8 and ship straight to the consumer.

23—11.7; 26—10.4

27. 2Z7,—COURTESY:—Nothing is more discourteous than an offensive breath.

2Z7 cleanses the system, purifies the blood and sweetens the breath.

27—10.1; 25—12.0

28. 2T9,—REMARKABLE GROWTH:—The superior quality of 2T9 is demonstrated by the rapid development of our business.

Total	Capital,	1890,—	$15,273.00
"	"	1895,—	85,896.00
"	"	1900,—	240,142.00
"	"	1905,—	703,279.00
"	"	1910,—	3,875,639.00

19—16.3; 36—11.5

29. 1S6,—AMUSEMENT:—Don't look bored! Buy 1S6. The most side-splitting, mirth-provoking novelty ever devised. Amuses old and young. Affords fun and laughter from morning till night.

34—10.7; 23—10.6

30. 2X4,—HOSPITALITY:—Don't be content with envying the successful hostess when you can secure the same keen pleasure for yourself. The homes equipped with 2X4 are known far and wide for their generous comfort and open hospitality.

24—8.0; 34—11.0

31. 2Y9,—YOUTH:—The fountain of eternal youth has never been discovered, but it has been demonstrated beyond a doubt that 2Y9 restores youthful vigor, quickens the step and gives new life to both body and mind.

24—8.9; 34—13.1

32. 2V7—HUNTING:—Just the thing for the fishing and hunting trip. Ensures a lively spirit in the field and solid comfort in the camp. No vacation outfit is complete without 2V7.

31—12.1; 28—11.6

33. 1O9,—SOCIAL STANDING:—The use of 1O9 is the stamp of the gentleman. It is always found where social standards are high, and is the favorite of men and women of discriminating taste and culture.

38—9.0; 24—12.6

34. 2S8,—ENORMOUS:—We have the largest establishment engaged in the production of 2S8 in the United States.

Capital, $12,000,000.00.

Factories or branch establishments in every prominent city in the country.

25—14.6; 38—11.4

35. 1Y2,—CHEAP:—Buy 1Y2. Costs just one-half the price of its competitors. Why spend two days' wages when one day's work will bring our high-class article to your home?

32—10.1; 33—9.6

36. 2J9,—GET THE GENUINE:—Avoid substitutes. Many may pattern after us, but none can equal us. As a matter of fact 2J9 has many imitators, but there is only one standard, genuine article. Ask for 2J9.

21—12.0; 48—9.4

37. 2P6,—PROGRESS:—Don't be a dead one. Use 2P6 and be up to date. It is an essential part of every progressive modern establishment.

40—11.7; 29—12.3

38. 2A3,—SALE:—We are closing out our large stock of 2A3 at a great sacrifice, to make way for next year's goods. For the next ten days 2A3 will be sold at less than cost. Come early. Don't miss this rare opportunity.

41—11.3; 31—11.7

39. 2M5,—EXCEL:—Don't be a wall flower. Use 2M5 and you will be the envy of all your friends. It gives that look of superiority which everyone recognizes and respects, but which few possess.

36—11.7; 42—13.0

40. 2K4,—CIVIC PRIDE:—We appeal to your civic pride. 2K4 is made in your own city, by

local workmen and backed by strictly home capital. Encourage home industry. Use 2K4.

33—15.0; 45—10.3

41. 1H9,—PATRIOTISM:—Our 1H9 product is made for American consumers, of strictly American-grown materials, by an American firm employing exclusively American labor and American capital.

35—15.6; 43—10.3

42. 2G4,—UNION MADE:—We stand for organized labor. 2G4 is a strictly union-made product, built by union labor, of union-raised material, and sold exclusively by all union dealers.

49—14.6; 32—11.6

43. 1M8,—RECOMMENDATION:—Here's what the world-famous tenor of the Metropolitan Opera House says of 1M8:

"I have used your product constantly and have continued to derive great benefit from it."

(Signed) ENRICO CARUSO.

46—14.0; 37—14.5

44. 1D8,—NOBBY:—Our 1D8 products are made by our smartest designers, especially for those

who love nobby and dressy styles. Exclusive patterns and dashing cuts, unequaled in snap and color.

48—7.3; 35—10.3

45. 1B5,—STYLE:—Our new 1B5 is fresh from the center of fashion, representing the latest creation of accepted artists of style, in exclusive designs and dressy patterns, *chic* and strictly *à la mode.*

47—5.8; 40—7.5

46. 1L7,—ROYALTY:—1L7 will be found in most of the houses of European royalty. We are commissioned by official warrant to supply 1L7 to his Excellency, the Emperor of Germany.

50—8.5; 39—12.1

47. 2N7,—ADMIRATION:—Do you desire the admiration of those you meet? Use 2N7 and you will be the constant center of attraction to adoring and envious eyes. No jewels or marvels of costuming can add so much to your appearance as 2N7.

43—9.4; 47—11.5

48. 2H8,—IMPORTED:—All 2H8 products are strictly imported and foreign stamped. 2H8 comes straight from European makers, and its superior quality is thereby guaranteed.

45—10.0; 46—9.8

49. 1U4,—BEAUTY:—Are you as pretty as you might be? No one wants to be homely. The continued use of 1U4 removes the undesirable blemish, beautifies the complexion, renders the form attractive and gives charm to the figure.

42—8.9; 50—9.8

50. 2U3,—PERSONALITY:—Everyone desires to be attractive to the opposite sex. 2U3 will give you distinctive presence and engaging personality which is irresistible in its appeal.

44—10.9; 49—19.2

Certain sources of "error" in such an experiment are at once obvious:

1. It is difficult to keep out of even the abstract appeals some suggestion of special reference. Thus the appeal to *appetite* will inevitably suggest food, some *health* appeals are strikingly medicinal in tone, and doubtless in most cases there is a more or less pronounced tendency to think of one article rather than another.

2. There is a certain feeling of self-consciousness and reserve in submitting honestly to such an experiment, a tendency to place low certain appeals which really bulk large outside of the laboratory, or a tendency toward ideal arrangement strongly suggestive of the inclination to give learned responses in association tests.

Of these two sources of error, it may be said that from the practical point of view only the second is of importance. And that the danger here is minimal is attested by the fact that the results of such tests are verified by keyed results. The observers used were 30 women, mostly Juniors in Barnard College, taking their second year's work in psychology, and 20 men in Columbia College of corresponding age and class. Twenty of the women made two arrangements, one month apart, without meanwhile having seen the cards. The other 10 women and the 20 men made but one arrangement. No time limit was given. Each observer was allowed to work over the material until a satisfactory order had been secured.

Comparison of the two trials of the group of 20 women will thus throw light on the permanence of such judgments and on the constancy of different individuals. Comparison of this group with

the group of 10 women will show how far the average judgments of such an experiment are typical of the results to be expected from observers of approximately the same class. Comparison of the group of men with the group of the women will reveal such sex differences in these traits as may be present. Separate study of each group will show the degree of variability introduced by the personal equations of the various observers, the general relationships of individual judgments to group averages, etc. The array of figures yielded by such an experiment is a veritable mine of suggestions and material. These results from the point of view of the applied psychologist merit discussion in detail. For the present, however, we must limit ourselves to giving the various tables of measures and briefly summarizing their meaning and significance for advertising and selling.

The table gives a statement of the relative persuasiveness of the different appeals for men and women, their average values and positions. In this table the various cards which might be classed under one general heading, such as *health, reputation, economy,* etc., have been grouped and their average taken as representing the most probable value of that general type of

appeal. The second column in the table gives, for each general type, the number of actual cards

TABLE XVII

Relative Persuasiveness for Men and Women

Appeal	No.	40 Final		20 Women		20 Men	
		Av.	Pos.	Av.	Pos.	Av.	Pos.
Health	3	4.0	1	5.0	2	3.0	1
Cleanliness	1	4.0	2	5.0	3	3.0	2
Scientific	2	6.5	3	6.5	5	7.0	5
Time Saved	1	8.5	4	3.0	1	14.0	10
Appetizing	1	9.0	5	13.0	8	5.0	3
Efficiency	3	9.5	6	5.3	4	13.3	9
Safety	4	10.5	7	15.7	11	5.2	4
Durability	2	11.5	8	8.5	6	14.0	11
Quality	2	14.5	9½	10.0	7	19.0	13
Modernity	2	14.5	9½	16.5	12	12.5	8
Family Affection	4	15.2	11	21.8	15	8.7	6
Reputation	5	21.1	12	18.4	13	32.8	15
Guarantee	2	21.2	13	14.5	9	28.0	19
Sympathy	1	23.0	14	37.0	23	9.0	7
Medicinal	3	25.0	15	15.0	10	35.0	22
Imitation	3	25.5	16	30.0	19	21.0	14
Elegance	2	26.0	17	34.0	22	17.5	12
Courtesy	1	26.0	18	27.0	17	25.0	16
Economy	5	26.4	19	27.6	18	35.2	17
Affirmation	2	29.0	20	30.0	20	28.0	20
Sport	2	29.0	21	32.5	21	25.5	18
Hospitality	1	29.0	22	24.0	16	34.0	21
Substitutes	1	34.5	23	21.0	14	48.0	28
Clan Feeling	4	41.0	24	40.5	24	41.5	25
Nobby	2	42.5	25	47.5	28	37.5	23
Recommendation	2	43.0	26	48.0	29	38.0	24
Social Superiority	4	44.0	27	41.2	25	47.0	27
Imported	1	45.5	28	45.0	27	46.0	26
Beautifying	3	45.8	29	43.0	26	48.7	29

averaged to give the result in the table. Since this number varies from 1 to 5 the reliability of the various measures is not uniform, but the method reduces to a certain extent the influence of the particular way in which one or other of the various appeals may have been expressed.

Columns 3 and 4 give the final averages and positions for the combined groups of 20 men and 20 women. The values range from 4.0 to 45.8, these numbers indicating the average position in the list of 50 possible places. The group of appeals, as a whole, falls into *three rather sharply defined sections,* the series breaking at values 15.2 and at 29.0, at which points there are wide gaps, which contrast with the gradual transitions of value within the groups. And these sections, moreover, correspond to qualitatively different groups of appeals.

(a) *In the first group,* with values ranging from 4.0 to 15.2, fall the appeals to health, cleanliness, scientific construction, economy of time, appetite, increase of efficiency, safety, durability, quality, modernity, and family affection. The general characteristic of these appeals is that they are *strictly relevant* in tone, describe the article precisely or point out some *specific value,* quality or "selling point" which it possesses.

(b) *In the second group,* with values ranging from 21.1 to 29.0, fall the appeals based on the general reputation, guarantee or assertion of the manufacturer, and on the set of specific and more or less social feelings and interests, such as sympathy for others (not family), courtesy, imitation, elegance, hospitality, sport, cheapness, etc. The characteristic of these appeals is that they *do not relevantly describe the article,* but try to *connect the article with some specific instinct or effective conception.* And these appeals are distinctly less personal, *more social,* than those of the first group.

(c) *In the third section,* with values ranging (with one exception) from 41.0 to 45.8, fall the rather vague appeals to avoid substitutes, to civic pride and clan feeling, social superiority, recommendation, the ideals of fashion and foreign origin, and finally the beautifying appeal. The chief characteristic of this group seems to be that while, as in the second group, *the statement is semi-irrelevant or incidental, the feeling appealed to is indeterminate and general.*

The only considerable sex differences, cases in which the difference in position is, say, 5 places or over, are on the appeals entitled *appetite, safety, nobby, family affection, sympathy, elegance* and

recommendation which are placed higher by the men and on *time saved, guarantee, medicinal, substitutes, efficiency, durability, quality* and *hospitality,* which are placed higher by the women.

In an interesting continuation of this experiment five professional advertising men arranged the series of appeals in an order, not as they appealed to them, personally, but *as they judged they would appeal to the general reader and consumer.* This was done in order to see how accurately the expert advertising man could judge the feelings of his audience. The final average order, as arranged by these five experts, was then compared with the orders as arranged by the 20 men and the 20 women. Several interesting points resulted from this comparison.

In the first place, the consumers find greater differences between the various appeals than do the business men. The total range of values, from best to poorest, for the consumers, was from 4 to 45.5. For the advertising men the total range was only 11.8 to 40.3. This means that the advertising men did not fully realize the differences which were felt by the readers. To the advertising men the 50 appeals tend to be pretty much alike, or rather, these men believed that the consumers would feel the appeals to be pretty much

alike, in persuasiveness. They failed to appreciate the real effects of rather small changes in their copy.

By proper statistical methods a figure can be obtained which will show the degree of correspondence between the arrangements by the various groups of people. When this is done, a coefficient of 100 per cent. means exact correspondence. One of —100 per cent. means just the reverse order in one case of that in the other. A coefficient of 0 per cent. means only a chance or accidental correspondence. Intermediate amounts indicate corresponding degrees of resemblance between the two arrangements. The coefficients for these experiments are as follows:

1. The 20 men and the 20 women agree closely with each other, giving a coefficient of correspondence of 63 per cent.
2. Two different arrangements, by the 20 women, show a very high degree of correspondence (90 per cent.).
3. The average order, as arranged by the advertising men, corresponded only slightly with the average order for the men and women combined. The coefficient is only 36 per cent. of resemblance.

4. When the advertising men arranged the appeals as they thought they would appeal to other men, the degree of correspondence was fairly high, the coefficient being 65 per cent.
5. When the advertising men arranged the appeals as they thought they would appeal to women, the correspondence was much less, the coefficient being only 41 per cent.

That is to say, these experts had very incorrect ideas as to the relative strength of these appeals for men and women in general (36 per cent.). In the case of men alone, their opinions were fairly correct (65 per cent.), while in the case of women the opinion of the experts was much less reliable (41 per cent.).

Taking the table as it stands, the various instincts and interests there represented stand in their order of strength in so far as they may serve as the basis of appeal in business transactions, regardless of the commodity concerned. But it is obvious that not all of these appeals can be used in the case of any single commodity. Thus "Appetizing Qualities" cannot apply to the sale of diamonds or shoes, nor could "Durability" be applied to the merchandising of food

products. The table, nevertheless, affords an approximate statement of the relative strength of available appeals for any given commodity. It is only necessary to begin at the top of the list and select the first appeal which could be applied in the description of the commodity in question. This will then constitute the strongest appeal which can be made in the interest of that commodity. The next in the list which would apply appropriately would be the next strongest, etc. For example, the first appeal which would be appropriate to breakfast foods would be "Healthfulness." Then would come, in order of strength, as indicated by position in the table—"Cleanliness," "Appetizing Qualities," "Reputation of the Firm," "Medicinal Properties," "Economy," "Hospitality," "Substitutes," "Clan Loyalty," "Recommendation by others," and finally "Imported." If the reader will now turn back to the table in the preceding chapter, in which are given the results of a special study of the persuasiveness of advertisements used for breakfast foods, he will find that the order of strength of appeals as indicated by this abstract table coincides with the order determined upon independently by Strong.

SUMMARY

We may then summarize the practical results of this experiment under the following headings:

1. *The table of relative persuasiveness* affords a statement of the order of strengh, in general, of most of the appeals which can be utilized in the process of advertising and selling, regardless of the commodity concerned.

2. Selection from this table of the appeals appropriate to the description of any given commodity enables the formation of a smaller table in which the appropriate appeals stand in their order of relative persuasiveness.

3. Any sex differences, and the amount of these differences, may be determined by the comparison of the orders for men and women as given in the table.

4. The strongest appeals which can be made for any commodity, in the attempt to market it, distribute it, or secure publicity for it, will consist in strictly relevant statements of the characteristics, specific qualities or merits, or "selling points" possessed by the article. This will be especially true if these qualities take the form of cleanliness, healthfulness, scientific construction, economy of time, increase of efficiency, safety,

durability, modernity, appetizing quality, and the power to contribute to the welfare of one's family and dependants.

5. If a commodity possesses none of these qualities it is possible to resort to the use of a second but weaker type of appeal, by trying to associate the article with some specific instinct or effective habit of a more "social," less "personal" character than those of the first group, such appeals as those based on reputation of the firm, guarantee or assertion of the maker, sympathy for others (not in one's family), courtesy, imitation, elegance, hospitality, sport, cheapness, etc. These appeals are not descriptive of the article itself but attempt to utilize, in an incidental way, the strength of instincts and interests which are primarily concerned with situations outside the field of business transactions.

6. The semi-relevant or strictly incidental appeal, appealing to rather indeterminate and general interests, such as those based on civic pride and clan feeling, social superiority impulses, recommendation by others, ideals of fashion and of foreign origin, the promise of physical beauty, and the avoidance of substitutes, are the weakest appeals that could possibly be used. One

is amazed at the extent to which these feeble appeals are relied on in current advertising and selling, and is not surprised at the assertions of experts that two-thirds of the money devoted to securing publicity is wasted.

CHAPTER XV

SEX AND CLASS DIFFERENCES OF INTEREST TO BUSINESS MEN

I. SEX DIFFERENCES

It is not my purpose here to enter upon any discussion of sex or class differences in general, but rather to confine myself to such differences as have been experimentally shown to be present in the processes of purchasing goods, and particularly in the processes of reacting to the appeals of advertisements and of salesmen. Biologists have had much to say concerning elemental differences between the male and female reproductive cells, and have often reasoned, by way of analogy, and with insufficient caution, to similar or corresponding differences between men and women in mature life. The naturalists, in turn, have found characteristic differences in the organization and activities of the sexes among lower animals, and these differences have also been eagerly sought for in human society. The anthropologist has, in his own way, compared the activities and character-

istics of sex as these are reflected in primitive cultures, and many have attempted to trace continuities between these conditions and those of our own complex social organizations, institutions and activities. Finally, the experimental psychologist has investigated in great detail, but seldom with adequate accuracy or scope, the mental characteristics of men and women, as shown by their sensory acuity, their motor capacities, their imagery, memory, attention, associations, reasoning, feelings and emotions, suggestibility, interests, general information, activity, inclination, etc. Readers interested in the outcome of these studies may find them fully discussed in the books enumerated in the appendix.

In the present connection we shall ask but two questions, and shall seek to answer them in so far as this is possible in terms of our present knowledge. These questions are: Are there any characteristic differences between men and women, as we find them to-day, with respect to the ways in which they behave as purchasers of goods, or as readers of advertisements, or as auditors of selling talks? If so, the second question will then be: What are these differences, and can they be in any way specified, demonstrated and measured?

We may begin by inquiring whether or not there are characteristic differences between the things which men buy and those things of which women are purchasers? Clearly this is a question on which the practical business man should be able to speak with authority. But if he has ever formulated an answer to the question, he has either kept the data to himself or published them in inaccessible places. At least I have failed to find any account, in business literature, of what men and women buy. We must rely, then, for our information, on a preliminary study which I have made on a group of 25 New York City families, and must, of course, bear in mind that these results apply only to families of a similar type, living under similar conditions. How far a change in conditions effects a change in the rôle of men and women as purchasers only further investigation can reveal. But the present results are suggestive.

In this investigation members of the family were requested to report, with respect to 80 commonly used articles, whether each article was purchased (a) by the men of the household alone, or (b) solely by the women, or (c) by either or by both in consultation. Some information concerning the character of the homes included may be af-

forded by the facts that 72 per cent. of the families live in apartments, 60 per cent. of them possess neither vehicles of conveyance, pets, nor musical instruments. The annual income ranged

TABLE XVIII

Men and Women as Purchasers

Class of Article	No. of Specifications	Percentage by Men Alone	Percentage by Women Alone	Percentage by Both	Percentage by Neither
Men's clothing.	11	65	11	23	1
Women's clothing.....	11	1	87	12	0
Druggist's articles.....	6	10	48	41	1
Kitchen ware...	6	2	89	8	1
Pets.....	3	19	5	15	61
Dry Goods....	4	0	96	4	0
Vehicles.....	3	23	1	15	61
House furnishings.....	8	4	48	46	2
Musical instruments.....	5	13	7	20	60
Raw and market foods....	6	0	87	13	0
Package foods..	5	3	79	14	4
Miscellaneous..	12	6	22	68	4
Totals...	80	146	580	279	195

from $2,000 to $5,000, with perhaps a few running higher than this. The commodities may be classified under 12 chief headings, with a number of specifications arranged under each. The following table gives these general headings, with

the number of specifications under each, and the per cent. of the families which reported under the respective columns.

From the examination of the specific articles, the following interesting facts emerge:

1. The only article of clothing bought by men exclusively is their own collars. Only 80 per cent. buy their own shoes and hats. In over 50 per cent. of the cases the men's jewelry, handkerchiefs, socks, and underwear are purchased either by the women alone or in consultation with them. In one-third of the cases the women help buy the men's shirts. Only one-third of the men buy their own handkerchiefs.

2. On the other hand, the men participate but little in the purchase of the women's apparel. Women buy men's things exclusively 11 times as often as the men buy women's things exclusively. Women coöperate with men twice as much as men coöperate with women, in the purchase of their respective apparel.

3. In 100 per cent. of the cases women are sole purchasers of their own underwear, lace, thread, and cooking utensils. In 80 per cent. of the cases they are the sole purchasers of dresses, cloaks, footwear, hats, parasols, gloves, fans, handkerchiefs, clotheslines, chafing dishes, kitchen tables,

ribbons, cloth, flour, vegetables, eggs, butter, bread, cereals, water and canned goods. In over 50 per cent. of the cases they are the sole purchasers of curtains, mattresses, meats, ranges, talcums and perfumes. Women buy 83 per cent. of the food, but less than 50 per cent. of the house furnishings, exclusively.

4. Women buy more of the magazines, men more of the newspapers. Women buy many wedding presents exclusively, but men participate more largely in the purchase of Christmas gifts, birthday gifts, and children's toys. Only 5 per cent. of the pets are bought by women alone, 20 per cent. by men alone.

There are, then, considerable differences between the parts played by men and women as purchasers of goods. If there are now any differences in manner of reacting to the appeals of advertisements and salesmen, these differences will be worth knowing, and such knowledge might be effectively utilized in the direction and formation of appeals, according as they are designed to reach either or both classes. In the course of the preceding chapters there has frequently been occasion to refer to sex differences in one respect or another. These differences, along with others which have been brought out in experiments simi-

lar to those reported here, may now be brought together and confirmed.

1. In so far as we may rely on experiments which tend to show on the part of women a greater sensitivity to sensory impressions, and a more desultory and more permanent memory capacity, it is apparent that the mechanical incentives (intensity, magnitude, contrast, motion, isolation and position) will be less effective and more unnecessary when appealing to women than when appealing to men. Further, that there will be less need for devices calculated to fix impressions in consciousness.

2. Gale finds that women are more attracted by pictures than are men, and his curves of attention values of cuts and reading matter show genuine differences in this respect. Strong also finds that women are more attracted by cuts than are men. In discussing the results of a study of 50 advertisements for a well-known soap he remarks: "Only one among the advertisements preferred by women could be considered as approximating a 'copy-ad,' and there the main interest, apparently small, I should judge, would lie in the three small cuts." (p. 81.)

3. Much the same thing may be said for the use of color. Darwin believed that among the lower

animals the female is strongly affected by color, which the male consequently develops by the process of sexual selection. Thompson found that with the individuals studied by her, visual experience was more important in the consciousness of the women than in that of the men, and that only the women showed prominent associations connected with the different colors. In discussing the matter of color preferences we have already referred to Wissler's finding that the preferred color of an individual tends to shift toward the violet end of the spectrum as he grows older, and to the preference of men for blues and of women for reds. Of course these preferences are very dependent on the uses to which colors are to be put, and a preferred color for a necktie may not be agreeable to the same individual for the interior decoration of a room, or for the background of a billboard.

4. Gale reports that irrelevant material, whether in the reading matter or illustration of an advertisement, attracts the attention and consideration of women more easily than is the case with men. The table in which his data are given shows this to have been the case. Strong remarks, of his experimental results: "The preference for the irrelevant among women confirms

the early work of Gale upon attention value." (p. 80.)

5. With respect to the strength of special appeals, certain clear and interesting differences have been found. Thus in the table in the preceding chapter, giving the relative strength of a large number of appeals, the men may be compared with the women. The results of still other investigations make possible further such comparisons. Chief among the differences found here are the following:

(a) The appeal to civic pride, patriotism or other form of clan feeling is stronger with women than with men. In Table XVII the civic pride appeal ranks about the same for both men and women. But Strong found that advertisements for breakfast foods, based on the slogan "Patronize home industries," were rated "considerably higher by the women than by the men (11.1 as compared with 14.6) and that of the nine who ranked them above eighth place seven were women." (p. 45.)

(b) Appeals to authority of others and to recommendation by others are uniformly found to be rated higher by men than by women, although fairly low for both. Thus in Table XVII the "recommendation" appeals average position 38

in a series of 50, for men, and only 48th place in the series, for women. Similarly Strong finds that "authority advertisements appeal more to men than to women." (p. 41.)

(c) Detailed examination of the relative merit of the various appeals discloses the fact that the *women agree with each other* more closely on *personal* appeals (those based on such conceptions as "style," "nobby," "sanitary," "appetizing," "social standing," "time saved," "safety," "durability," etc.) than do the men. They agree with each other about 25 per cent. more closely than do the men. Furthermore, they agree in placing these appeals *higher* than do the men.

(d) On appeals made to the instincts and impulses underlying social solidarity, such as the recommendation, the reputation of the firm, family affection, guarantee, union made, sympathy, growth of the business, etc., the women disagree more than do the men.

(e) Men disagree most of all on the strength of purely *personal* appeals, such as those indicated by the words: health, social standing, efficiency, time saved, ambition, progress, competition, etc. Women disagree most of all among themselves on the appeals indicated by such

words as popularity, recommendation, reputation, family affection, guarantee, union made, sympathy, growth of the firm, etc.

(f) These facts lead to the further generalization that the men are homogeneous, that is, tend to resemble each other more closely, on their *preferences,* on appeals which are strong. Women, on the contrary, tend to be alike with respect to their *dislikes,* appeals which are weak. Whether this difference bears in the direction of selection and difference in sex experience and training, or merely toward the temporary motives which operate in reacting toward appeals made in the interest of articles of commerce, the experiment does not show. The fact that women have definite and mutual *aversions,* with fewer common *preferences,* while men have fewer determinate *dislikes,* but definite and mutual *preferences,* is an exceedingly interesting discovery, and one which, if verified, may be found to have countless applications in business and in other forms of daily activity. Whether the difference be interpreted to mean a fundamental and inherent sex difference, or merely a difference which reflects our present social organization (which is doubtless an adequate explanation of all the facts) has nothing to do with the present usefulness of the fact itself.

It should be further pointed out that these comparisons do not rest on the results of a single experiment. Thus Strong finds that "when women are given an equal opportunity with men to rate appeals (advertisements) they are able to classify their dislikes as well as their preferences, which men do not. . . . A careful analysis of the data shows that women have more and greater dislikes than men, and are surer of them." (p. 79.) Further evidence is afforded by Kuper's experiments, described in one of the following sections of this chapter.

6. A final difference which is quite commonly held to exist between the ways in which men and women react to appeals has to do with the two forms of appeal which we have characterized as "the long circuit" and "the short circuit." Women are popularly supposed to react more strongly to emotional situations than do men. Since reaction to an emotional situation is what characterizes the "short circuit" process of appeal and response, this would be equivalent to saying that short circuit appeals, such as we have previously described and illustrated, may be directed to women more effectively than to men. Thus Scott says, in a description of the various ways of reaching a decision: "The woman's

method of decision'' has characteristics of its own. ''Insufficient time is given to the deliberation, or difficulty is found in classifying the problem. The deliberation is interrupted by a sudden extreme feeling of value attaching itself to one or the other contemplated alternative. The feelings rush in and take the place of reason. In deciding by the woman's method we are scarcely able to see how we reached our conclusion and we often speak of such decisions as being intuitive. . . . Women are supposed to decide in this way more often than men. They are supposed to have more perfectly developed instincts or intuitions. Their sentiment vanquishes attempts to utilize sophisticated reasoning and the outcome is frequently wise and in every way as worthy of respect as are the results of more complete forms of deliberation.'' (Scott, ''Influencing Men in Business.'')

The same writer then quite properly points out that ''this method is not at all confined to women, but is a very common method of deciding any question in which feelings and emotions are prominent.'' Indeed, the present writer is inclined to go still further and to question the popular notion that women are prone to react more strongly to emotional situations than are men. The real difference, if any exists, is probably due rather to the

kind of reaction which is made, and to the *type of situation* which experientially or conventionally has come to have emotional value. It may, indeed, be said that all of us reach our most important decisions through *feelings of value,* rather than by manipulation of logical premises.

II. AGE AND CLASS DIFFERENCES

On these points there is even less to be said than on the preceding topic. This is not because the differences are smaller, for none of the sex differences found are enormous, nor are they true of all individuals—they are differences between averages, and hold, when present at all, only of men and women in the long run. But the chief reason for the lack of material on age and class differences in reactions to appeals lies in the fact that the topic has seldom been investigated by precise and quantitative methods. An interesting study of the interests of children has been made by Miss Gertrude M. Kuper, who studied the reactions and preferences of 200 children of five nationalities, there being in the group 10 boys and 10 girls for each age from 6.5 to 16.5 years. The following results are quoted from a report of her investigation (*Jour. of Phil.,* July 4, 1912, pp. 376-379).

"The formal experiment consisted in asking an individual child to arrange nine pictures in the order in which he liked them best. The nine pictures were chosen to represent nine specific appeals: landscape, children, animals, religion, pathos, sentiment, patriotism, heroism and action. (They were Cosmos prints and therefore of uniform size and finish.) In all there were three series of these pictures each parallel so far as possible with the other two in their appeals.

"The results were tabulated according to age differences, broad social distinctions, and nationality, but in the last named case the number of subjects was so limited (10 boys and 10 girls to each of the following nationalities: Irish, French, German, and Italian, and only 9 girls and 8 boys to the Spanish) that the results are not held as significant.

"The positive data showed a sex difference in the order of preference for these several appeals. The girls' order was:

Religion
Patriotism
Children
Pathos
Animals

Sentiment
Landscape
The Heroic
Action

"The last two were decidedly lowest in the scale and the first three were quite clearly highest for all ages; but the picture representing these nine curves was one of bewildering intersections as the values changed from year to year.

"The boys' order was:

Religion
Patriotism
Action
The Heroic
Pathos
Animals
Sentiment
Landscape
Children

"The boys' chart representing the curves for these appeals showed greater agreement from year to year. Religion and patriotism, the heroic and action, and landscape and children, kept rather parallel courses all along the age scale, and no very decided tendencies appeared with

progressive age differences. Girls seemed to lose somewhat in interest in children and animals and to take greater interest in the heroic and action pictures. The latter change is explained by the fact that as the girls increased in school knowledge they read an historical background into these more or less warlike scenes.

"Another sex difference noted was *the number of positive dislikes* expressed by each sex. The girls gave 161 dislikes as against the boys' 65. Boys seemed to entertain relative indifference toward the appeals at the bottom of the list.

"In all their comments the girls were far more *personal* than the boys. The personal pronoun and references to their individual experiences were the usual preface to their statements. With the boys it was quite otherwise; they discussed the picture as an objective thing . . ."

These results are particularly interesting as indicating the early age at which appear the differences already discussed in the case of adult men and women.

With respect to class differences, the only experimental data known to me are those secured by Strong, who studied (1) a group of 101 educated business men, students and teachers, (2) a group of 95 educated women, and (3) a

miscellaneous group of 97 men selected at random, and including business men, doctors, blacksmiths, storekeepers, saloonkeepers, policemen, bakers, lawyers, postmasters, etc. His report gives separate results for the groups men students, women students, farmers, business men, doctors, and miscellaneous men.

The only significant class difference revealed is to be found when educated classes are compared with uneducated classes. The difference then disclosed is suggested in the remark: "It may be that this is a characteristic of such a group of uneducated persons—that they are unable to differentiate complex appeals. That is to say, that on the whole any one of these appeals is as strong as any other . . ." Strong further shows that in experiments intended to measure the relative strength of these appeals, whether for psychological or for practical purposes, "A group of 50 college students will represent very closely the judgment of groups of educated men and women, of young business men, such as attend evening school, etc. They will not represent at all the judgment of groups from small towns and farming sections such as regions around Garrison, N. Y., from which the data were obtained." (p. 62.)

By way of conclusion it may be remarked that, although most of the results presented in this treatment of the principles of appeal and response have been demonstrated to be completely valid, many of them must be held to be rather suggestive than proved. They should be suggestive in the first place of the kind of information that may be secured when human nature is submitted to experiment for the purpose of securing more knowledge for the concrete purposes of practical living. They should be further suggestive of at least some of the methods which may be profitably adopted in such experiments. At most, it is not so much the possession of psychological data which will prove of practical service in daily life, but rather the acquisition of the psychological attitude of inquiry, observation and interpretation. In the opinion of the writer the actual *content* of this book will prove of less ultimate service than the *method* which it advocates —that method being in the long run the method which must be adopted by any psychological inquiry which aspires to be fruitful, the method of systematically observing, analysing and formulating *the way in which the mind works,* rather than *what is in the mind* as its work proceeds.

BOOKS AND ARTICLES REFERRED TO IN THE TEXT OR RECOMMENDED FOR FURTHER READING

CHAPTER I

ADVERTISING MAGAZINES. Advertising and Selling, Judicious Advertising, Printer's Ink, etc. Articles on Replies, Sales, Keying Copy, etc.

HOLLINGWORTH. Judgments of Persuasiveness. (Psych. Rev., 1911.)

STRONG, E. K., Jr. The Relative Merits of Advertising. (Arch. Psychol.)

YERKES. Article in Jour. Ed. Psychol., 1911.

CHAPTER II

JAMES. Principles of Psychology.

LADD AND WOODWORTH. Physiological Psychology.

PILLSBURY. Essentials of Psychology.

THORNDIKE. Elements of Psychology.

CHAPTER III

CALKINS AND HOLDEN. Modern Advertising. (Appletons.)

DEWEESE. Practical Publicity.

FRENCH. Science and Art of Advertising.

KENNEDY. Intensive Advertising. Reason-Why Advertising.

LEWIS. Financial Advertising.

MATAJA. *Die Reklame.*

STARCH. Principles of Advertising.

CHAPTER IV

ARNOLD. Attention and Interest.
PILLSBURY. Attention.
RIBOT. Diseases of Attention.
TITCHENER. Text Book of Psychology.

CHAPTER V

HUEY. Physiology and Psychology of Reading.
MÜNSTERBERG. Psychology and Industrial Efficiency.
ROETHLEIN. Article in Amer. Jour. Psychol., 1912.
SCOTT. Psychology of Advertising. Theory of Advertising.
STRONG. Research Bulletins of New York Advertising Men's League.

CHAPTERS VI AND VII

ALLEN. Physiological Æsthetics.
GALE. Psychology of Advertising. (Minnesota Studies.)
HOLLINGWORTH. Judgments of the Comic. (Psych. Rev., 1911.)
LE CONTE. Sight.
RICE. Visual Acuity with Lights of Different Colors. (Arch. Psychol.)
STRONG. Relative Merits of Advertisements. (Arch. Psychol.)

CHAPTERS VIII AND IX

ALLEN. Physiological Æsthetics.
GORDON. Æsthetics.
HOLLINGWORTH. Obliviscence of the Disagreeable. (Jour. Phil., 1910.)

PARSONS. Principles of Advertising Arrangement. (Published by the Prang Co. for the New York Advertising Men's League.)

PUFFER. Psychology of Beauty.

CHAPTER X

GALTON. Inquiries into Human Faculty.

GORDON. Æsthetics.

PARSONS. Principles of Advertising Arrangement.

SCOTT. Psychology of Advertising. Theory of Advertising.

SHERMAN. Elements of Literature.

TITCHENER. Text Book of Psychology.

CHAPTER XI

BEAN. The Curve of Forgetting. (Arch. Psychol.)

CALKINS. Association. (Psych. Rev. Mon.)

DEWEY. How We Think.

EBBINGHAUS. On Memory.

LADD AND WOODWORTH. Physiological Psychology.

MILLER. Psychology of Thinking.

MÜNSTERBERG. On the Witness Stand.

SCOTT. Theory of Advertising.

WATT. Economy and Training of Memory.

CHAPTER XII

JAMES. Principles of Psychology.

MÜNSTERBERG. Psychotherapy. Psychology and the Market Place. (McClure's.)

ROSS. Social Psychology.

SCOTT. Influencing Men in Business.

SIDIS. Suggestion.

TARDE. Imitation.

REFERENCES FOR FURTHER READING

CHAPTER XIII

McDOUGALL. Social Psychology.

SCOTT. Psychology of Advertising. Theory of Advertising.

STRONG. Relative Merits of Advertisements. (Arch. Psychol.)

THORNDIKE. Elements of Psychology.

CHAPTER XIV

HOLLINGWORTH. Judgments of Persuasiveness. (Psych. Rev., 1911.)

STRONG. Relative Merits of Advertisements. (Arch. Psychol.)

WELLS. On the Variability of Individual Judgment. (In *Essays in Honor of William James.*)

CHAPTER XV

BOAS. The Mind of Primitive Man.

ELLIS. Man and Woman.

HALL. Adolescence.

KUPER. Interests of Children. (Jour. Phil., 1912.)

ROSS. Social Control.

STRONG. Relative Merits of Advertisements. (Arch. Psychol.)

THOMPSON. Mental Traits of Sex.

THORNDIKE. Educational Psychology.

WOODWORTH. Race Differences in Mental Traits (Science, 1910.)

PRINCIPLES OF APPEAL AND RESPONSE

ABBREVIATIONS USED IN BIBLIOGRAPHY

Am. Jour. Psychol.—American Journal of Psychology. (Worcester, Mass.)

Arch. Psychol.—Archives of Psychology. (Columbia University, R. S. Woodworth, Editor.)

Jour. Ed. Psychol.—Journal of Educational Psychology.

Jour. Phil.—Journal of Philosophy, Psychology and Scientific Methods. (Columbia University.)

Psych. Rev.—Psychological Review. (Baltimore, Md.)

INDEX

Abbreviations, 310
Activity, 114
Adaptation, 48, 120
Age differences, 300
Appeal, measurements of, 253; nervous basis of, 18; varieties of, 261
Association, feeling tone and, 172; laws of, 191; meaning and basis of, 190
Atmosphere, 176
Attention, causes of, 51; definition of, 46; fluctuation of, 133; holding the, 132; laws of, 56, 133; results of, 52; suggestion and, 232
Attention value of: activity, 114; arrangement, 152; black and white, 77; color, 96; the comic, 119; complexity, 135; feeling tone, 138; forms, 149; instinct and habit, 125; intensity, 61; irrelevant material, 110; isolation, 78; lines, 142; magnitude, 64; media, 37; motion, 74; novelty, 92; pages, 83; pictures, 106; pointers and borders, 137; position, 80; trade marks, 213; type, 72; unity, 136; white space, 77

Backgrounds, 77, 187
Balance, 153, 164
Breakfast foods, 249

Children, interests of, 300
Chromatic aberration, 104
Circulars, 41
Class differences, 303
Classified advertisements, 32
Color, attention value of, 96; balance of, 194; combinations of, 162; feeling tone of, 158; influence of, 97; preferences in, 98; third dimension and, 103; uses of, 102
Comic appeals, adaptation to, 120; attention value of, 119; defects of, 120; experiments on, 125; varieties of, 121
Complexity, 135
Congruity, 198
Content, feeling tone of, 158
Contiguity, 197
Contrast, 76
Correlation of judgments, 281
Correspondence, 45
Curves, 147
Cuts, attention value of, 106; relevant and irrelevant, 110

Design, 152
Devices for aiding memory, 205
Diagonal lines, 147
Differences, age, 300; class, 303; sex, 287
Diminishing returns, 67
Directories, 44
Disagreeable, obliviscence of the, 140
Disagreeable words, 171
Display advertisements, 35
Distance of colors, 103
Distribution of appeals, 203

Effective conceptions, 242
Electric light advertisements, 14
Equipment of store, 42
Error, sources of, 274
Experiments, with advertisements, 5, 210, 247, 258; with advertising men, 280; on attention, 57; on balance, 164; with children, 300; on class differences, 303; on color preferences, 98; on the comic, 120; with elements of design, 151, 156; on imagery, 168; on legibility, 72, 186; on magnitude, 64; with mechanical and interest incentives, 127; with pictures, 109; on preferred positions, 81; on pulling power, 247, 257; on purchasers, 289; on relevant and irrelevant material, 113; on suggested activity, 118; on suggestion, 229; with trade marks, 213; with weights, 253
Eye, acuity of, 97; chromatic aberration of, 104; movements of, 80, 148, 180

Feeling of value, 300
Feeling tone, basis of, 138; of colors, 158; of content, 158; of form, 142; imagination and, 168; of lines, 142; of pictures, 173; of words, 171
Fixing the impression, 189
Forgetting, curve of, 202; the disagreeable, 140
Form, feeling tone of, 142
Forward law, 192
Frequency, association and, 200; suggestion and, 234

Golden section, 150
Graphite advertisements, 69, 114

Habits and instincts, 241
Headlines, 58
Holding attention, 132
Horizontal lines, 145

Ideo-motor action, 219
Illustrations, 106
Imagination, 108, 168
Incentives, comparison of mechanical and interest, 127; interest, 91; mechanical, 60
Instincts, as basis of appeal, 25, 239; nature and origin

of, 237; relative strength of, 253
Intensity, 61
Interest devices, 138
Interest incentives, 70, 90, 127
Interest, individual differences in, 293, 300; memory and, 235; varieties of, 50

Laws, of adaptation, 120; of association, 191; of attention, 56, 133; of balance, 154, 164; of color combination, 162; of feeling tone, 139; of psychophysics, 67; of reading, 80, 117, 137, 180; of resting point, 114; of suggestion, 218, 224
Legibility of type, 72, 77, 180
Lines, feeling tone of, 142
Long circuit appeals, 23, 246.

Machinery advertisements, 6
Magazines, 40
Magnitude, 64
Measurement of appeals, 1, 5, 253
Mechanical devices, 60, 89, 127, 135
Media, 38
Memory, devices for aiding, 205; for different kinds of facts, 208; experiments on, 208, 210, 212, 235; loss of, 203
Men and women, as purchasers, 289; interests of, 293, 300
Methods of investigation, 85, 253, 305
Motion, 74, 114

Nervous system, 17, 20
News interest, 39, 225
Newspapers, 38
Novelties, 43
Novelty, 92

Oblongs, 150
Order of merit method, 254

Pages, value of, 83
Persuasion, 132
Persuasiveness, measurements of, 258; table of, 277
Pictures, 106, 110, 173, 294
Pleasantness, 139, 199
Pointers, 137
Position, 80
Preferences, for colors, 98; for position, 80
Principles, of arrangement, 140; of connection, 191; of revival, 200
Provoking the response, 216
Psychophysical law, 67
Publicity advertisements, 33
Pulling power, 2, 5, 127, 247

Quality, of advertisements, 65; and balance, 165; of colors, 158; of lines, 142

Reading habits, 80, 137, 180
Reading matter, 112, 211
Reasoning, 22, 27, 224, 278, 284

References for further reading, 306
Relaxation, 177
Repetition, 204, 235
Response, 18, 216
Rhythm, 152, 206

Selling points, 120, 278
Sex differences, 287
Short circuit appeals, 24, 218, 245
Similarity, 197
Soap advertising, 13
Space, 64, 78
Spacing, 181
Squares, 150
Stability, 156
Strain, 177
Strength of instincts, 253
Substitutes, 174
Suggested activity, 114
Suggestion, 218, 224, 229
Symmetry, 153
Synæsthesia, 176

Tasks of an appeal, 28
Third dimension, 103
Trade marks, 212
Triangles, 149
Type, legibility of, 72, 180; appropriate use of, 166
Types of imagination, 108, 169

Unity, of advertisements, 136; complexity and, 135; methods of securing, 137; of sentences, 58

Verticals, 144
Vicarious sacrifices in advertising, 213
Vividness, 201

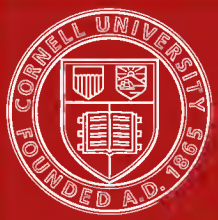
White space, 78
Words, 171

CORNELL
UNIVERSITY
LIBRARY

Date Due

NOV 2 1961 H S			
NOV 2 8 1961 M P			
APR 15 1996			
PRINTED IN U. S. A.		CAT. NO. 23233	

Cornell University Library
HF5415 .I95
Principles of marketing:
3 1924 032 514 584
olin



Cornell University
Library

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924032514584

PRINCIPLES OF MARKETING

A TEXTBOOK FOR COLLEGES AND SCHOOLS OF BUSINESS ADMINISTRATION

By

PAUL WESLEY IVEY, Ph.D.

Professor of Marketing, University of Nebraska; Author of "Elements of Retail Salesmanship," etc.

NEW YORK

THE RONALD PRESS COMPANY

1921

312161B
X

Copyright, 1921, by
THE RONALD PRESS COMPANY

All Rights Reserved

To

Fred M. Taylor

Professor of Economics
In the University of Michigan

PREFACE

With the advent during recent years of a buyer's market, the study of marketing has come into prominence. Getting the goods to the consumer has now become as important as the actual production of goods, and the costs are oftentimes as great. This fact, together with the rising costs of living, has directed public scrutiny to the subject of marketing, with the aim of simplifying its machinery and lowering prices. Without presuming to prophesy, conditions seem to point to a still greater interest in the subject in the future.

The present volume is designed as a textbook for schools of business administration, and is intended to introduce the student to the marketing process. It does not attempt to describe all phases of the marketing functions; these are more elaborately comprehended in the collateral readings listed in the Appendix. It seeks rather to unify the subject through analysis and the formulation of principles. What the student most needs, probably, is a viewpoint from which he can intelligently organize the growing mass of material to be found in this new division of economic study.

Emphasis is placed on the marketing of manufactured products rather than that of raw materials and agricultural products, because it is in connection with manufactures that a more decided buyer's market has developed and probably will continue to develop. It is here also that the high costs of marketing, with which the public is so consciously concerned, are more frequently to be found. It is likewise true that the curriculum of schools of business administration is often relieved of an intensive study of agricultural products because

of the close relations of such institutions with schools of agriculture. Yet these other products are not overlooked; a brief comparative study of them is made to give the student a broader comprehension of the entire subject.

While the material herein set forth appeals primarily to students as a branch of economic study, experience indicates that it may prove of value to the business man. The evolution of industry and trade is developing a new type of enterpriser who desires to proceed scientifically. This modern "progressive" in business has been kept in mind in the preparation of this volume. In it he will find an analysis of some of his most vexing problems and a frank treatment of changing business conditions.

The author is indebted in various ways to many recent discussions in books and in trade magazines for which acknowledgment is made in the appropriate places. Valuable aid has likewise been extended to him by various business men as well as by his colleagues in the College of Business Administration in the University of Nebraska. A special debt of gratitude is due to: J. W. Fisk, Manager of Hayden's, Omaha; C. F. Kurtz, Vice-President of The Denecke Company, Cedar Rapids, Iowa; A. E. Simmons, Manager of M. L. Parker Company, Davenport, Iowa; H. B. Whitehouse, Sales Agent of National Cash Register Company, Omaha; R. O. Bell, Merchandise Manager of Davidson Brothers Company, Sioux City; and to Dean J. E. LeRossignol and Professor O. R. Martin of the University of Nebraska.

PAUL W. IVEY

Lincoln, Nebraska,
May 1, 1921.

CONTENTS

Chapter		Page
I.	Differentiation of Marketing Functions	3
II.	Integration of Marketing Functions	19
III.	The Wholesaler	32
IV.	New Types of Wholesalers	43
V.	The Department Store	57
VI.	The Chain Store	73
VII.	The Mail Order House	86
VIII.	The Mail Order House (Continued)	101
IX.	Retailer's Market Analysis	114
X.	Manufacturer Market Analysis	132
XI.	The Rôle of Advertising in a Buyer's Market	152
XII.	The Incidence of Advertising Costs	166
XIII.	The Incidence of Advertising Costs (Continued)	182
XIV.	Trade-Marks and Unfair Competition	196
XV.	Price Determination	215
XVI.	The Cost of Merchandising	234
XVII.	The Cost of Merchandising (Continued)	252
XVIII.	The Cost of Merchandising (Continued)	269
XIX.	Marketing Agricultural Products	285
XX.	Marketing Agricultural Products — Tendencies Toward Integration	298
XXI.	Critique of Existing Marketing System	315
Appendix—Collateral Readings		333

Principles of Marketing

CHAPTER I

DIFFERENTIATION OF MARKETING FUNCTIONS

Pressure of Markets upon Production.—The Industrial Revolution which changed the structure of our economic society is still in progress. Its first phase lasted approximately from 1750 to 1880, and was marked by a widening of markets disproportionate to the increase in production. This was a natural result of machine industry, for although by machine processes goods were produced in quantities formerly unheard of, the development of machinery led to better railroads, the telegraph, and the telephone, which extended the market and made possible the immediate absorption of the mass of newly produced goods. Contemporaneously with this industrial development, new areas were being opened up in the United States, population was increasing at a more rapid rate than during any previously recorded period, while habits and customs of centuries were being discarded as a result of contact with new conditions, and in their place was developing a system of wants more complex and numerous than had ever existed in the history of the world.

The lagging of production behind the markets materially affected the course of our economic development. During this period emphasis was naturally placed on increasing production. Schools of technology were organized, scientific factory management received much attention, motion study of employees became common in manufacturing plants, efficiency engineers were called upon to co-ordinate the different departments of production, and inventions which displaced labor with machinery were numerous. Naturally, little attention

was given to analyzing marketing processes. First of all it was necessary that production become efficient.

Development of Traditional System of Marketing.—Since a seller's market (a market in which the advantage rested with the seller) existed during this period, the manufacturer accepted the distributive system as he found it and turned his goods over to the jobber with little thought of the ultimate consumer. It was a roundabout way of getting goods to the consumer, but the market was seeking the goods; the goods were not seeking the market. Heavy demands to increase production were being made on manufacturers, but they had no time or capital to invest in getting the goods to the market. Neither were they interested as to whether or not their products were marketed economically. A marketing structure, which had developed from the changes that followed the Industrial Revolution, was at their disposal, and it was natural that they should make use of it since no responsibility attached to the manufacturer and he was left free to devote all of his energies to production.

Pressure of Production upon Markets.—The second phase of the Industrial Revolution dates from 1880 and is still in progress. It is characterized by production which increased at a faster rate than the markets developed. The cause of this reversal of conditions can be traced to: (1) a check in the rate of increase in population, (2) the taking up of unoccupied lands, and (3) the fact that the attention which had been given to increasing production now began to bear fruit. The latter reason is perhaps the most important of all, for each year saw quantities of goods placed on the market for which no obvious immediate demand existed. Production now began to seek markets, where previously markets had sought production. The traditional system of distribution did not

permit of such a ready outlet for commodities as the new conditions demanded, so during this period the marketing system underwent many modifications. National advertising, direct selling, the mail order house, chain store, and department store, are all developments resulting from this new condition of economic affairs.

Elimination of the Middleman.—The popular cry for the elimination of the middleman arises from both ends of the distributive process. The consumer has found it increasingly difficult since 1900 to maintain with constantly increasing prices his standard of living, and in seeking an opportunity to vent his wrath has hit upon the distributive system. The producer in many lines has found it difficult to get an adequate outlet for his goods through the old system of distribution, and has undertaken to educate the consumer to demand his goods from the established middlemen, or he has on his own responsibility set out to fulfil the functions of the middleman.

A great deal of loose talk exists about eliminating middlemen, in which there is no attempt to distinguish between the middleman and the middleman's functions. The middleman himself can be eliminated, but his functions cannot. These must be performed by someone. If the manufacturer is handicapped in securing an outlet for his goods, he may take capital and labor (which under other circumstances would be used in producing goods) and utilize these in gaining markets for his goods. Thus, while he may have gone over the heads of the jobber and the retailer, he has used some of his resources to perform some of the functions which they have been accustomed to perform. In other words, the problem of the present-day manufacturer is not whether he should do away with the middleman's functions, but whether he should take over these functions himself. This naturally brings us to a consideration of the functions of the middleman.

Functions of the Middleman.—The functions performed by the middleman may be viewed as the creation of certain kinds of utilities, i.e., want-satisfying characteristics or operations. Utilities may be classified as form, time, place, and ownership:

1. Form utilities are created when, as in a manufacturing operation, the form of commodities is changed. Thus, steel bars are brought into a factory, they are cut into desirable lengths, and then made into razors. Agriculture likewise produces form utilities with the aid of nature.

2. Time utilities are created by storage. Goods are accumulated when the demand for them is weak, and then are carried over until the demand for them is strong. The storage of ice and vegetables illustrates this classification.

3. Place utilities are created by moving or transporting goods from places where they are little needed, to districts in which the demand for them is strong. Hay in some of our western states would be nearly valueless if it could not be removed to districts where it is less plentiful.

4. Ownership utilities are created by the exchange of goods between people. The grocer creates utilities of this nature when he exchanges flour for money; the real estate agent, who brings together buyer and seller of property and effects an exchange, creates ownership utilities.

Of these four kinds of utilities, marketing deals primarily with the last three. Industry may thus be divided into two divisions: (1) manufacturing, or the creation of form utilities, and (2) marketing, or the creation of time, place, and ownership utilities.

In the creation of time, place, and ownership utilities, the middleman performs certain specific duties, such as:

1. Assembling
2. Grading
3. Storing

4. Transporting
5. Risk-taking
6. Financing
7. Selling

The extent to which each of these factors enters into the distribution of any product varies widely, but all of them usually function to some extent in the marketing of goods from the manufacturer to the consumer. Moreover, they all exist because they satisfy some need; they have arisen as a result of natural causes.

Middleman's Former Functions.—Before the Industrial Revolution, each person whose task it was to get goods from the producer to the consumer performed a part of each function. Each successive middleman, so long as he held title to the goods, assumed the risk of their destruction. The same was true of credit losses. Transportation facilities were provided by each middleman for carrying the goods from the producer's storage house to the consumer. The different middlemen extended either cash or credit to themselves or to each other for the purpose of securing title to merchandise during its successive stages of distribution, or for financing the entire distributtive operation. The selling or disposing of goods to succeeding middlemen was likewise a function of each factor in the marketing process, as was also the providing of storage space for the temporary holding of goods which were physically unready for resale, or for which a market had to be found. Finally, the preparation of goods for resale was a necessary part of each middleman's work. Among other operations, this consisted of: classifying, sorting, cleaning, arranging, boxing, crating and reshipping goods.

Rise of Functional Middlemen.—With the widening of the market following the Industrial Revolution, it became more

and more necessary to have some of these functions performed by specialists. Hence we have the rise of what are known as functional middlemen, viz., insurance companies, transportation and express companies, banks and trust companies, and storage companies. These new middlemen differ from the old middlemen in that they assume one function and not portions of a number of functions. With the development of functional middlemen who have taken over some of the duties of the old middlemen, the importance of the latter has declined; only the functions of selling and the preparation of products for reshipment are left to them.

Separation of Producer from Consumer.—This widening of the market, followed by the specialization of the middleman's functions, removed the producer at each stage further from the consumer. The producer was no longer a merchant and therefore had no direct connection with those who consumed his products. Because of this development, his point of view changed. Goods were now desirable from the standpoint of both producer and middleman to the extent that they produced a profit in resale to the retailer. The characteristics of quality and service acquired prominence only when the retailer came into contact with the consumer. Thus the isolation of the producer from the consumer, due to the former becoming separated from the middleman's functions, has resulted in the offering of incongruous suggestions for the purchase of merchandise—all depending on whether or not the goods are intended for resale or consumption.

Disregard for Consumer.—The producer, because of his proximity to the middleman and his removal from the consumer, is inclined to energize over lowering costs of production so that he may be able to offer a lower price to the middleman, rather than to render his products more capable of

giving satisfaction to the consumer. The degree of satisfaction that the goods are capable of affording the consumer, only indirectly benefits the producer, and does not exert the influence on him that salability to the middleman does. Being uncertain or indifferent to the point of view of the consumer, the possibilities of making improvements in quality and service in his goods are overlooked and are subjugated to the more prominent element of profits.

Handicap in Serving Consumer.—In case, however, producers wish to give prominence to customers' desires rather than to the immediate salability of the product to middlemen, the circuitous manner of transmitting ideas of quality and service through the middlemen to the consumer robs them of their potency and neutralizes their value. The middleman handles so many different products that he can ill afford to give undivided attention to a single commodity and accurately and consistently transmit its claims of superiority to retailers. There is thus a break in the chain of ideas regarding the merchandise, and the retailer, in his attempt to create a desire in the customer for the product, transmits to the latter ideas foreign to those brought to him by the middleman who directly preceded him in the distributive process. For this reason the producer is handicapped, by the traditional system of distribution, in conveying to the consumer accurate, forceful, and clearly differentiated ideas regarding his merchandise. With the increasing competition of producers, this handicap under which manufacturers have been working has daily become more apparent.

Modification of Traditional System. — Because larger amounts of goods similar in kind and quality are being produced by competing concerns, it has become increasingly necessary to differentiate products. Manufacturers have come

to realize that a wide distribution for their products can be secured only by transmitting the idea of their merchandise to the customer so directly that he will be favorably impressed with their particular product. In other words, it has become a common belief among producers that customers should be educated away from the universal understanding that shoes are shoes, or that canned peas are canned peas; they should be trained to think of a certain make or brand when the need for shoes or peas arises. This has led to the identification of goods by means of trade-marks and trade-names. It has also led to a more careful study of the needs of customers by producers; more clear-cut statements regarding the functions of merchandise; and a more critical scrutiny of products by customers. All this has meant a nicer adjustment of production to the needs of the consumer, as well as the production of goods made primarily to render satisfaction rather than to sell.

Direct Communication of Producer with Consumer.—In attempting to get into close touch with the consumer and escape from the pressure exerted by the middleman, the producer has taken away from the middleman a part of his selling function, viz., the communication of ideas, and has turned this duty over to functional middlemen—newspapers, periodicals, and other advertising agencies. The removal of this function from the middleman has further weakened his position, which was primarily endangered when he was separated from the functions of transportation, financing, risk-taking, and storage; and with every decrease in duty, the middleman becomes of less consequence in our distributive system.

Residual Function of the Middleman.—The only remaining important function for the middleman is that of assembling, or of rendering the goods physically available to con-

sumers. This function embraces the operations of classifying, sorting, cleaning, arranging, boxing, crating, and reshipping goods. In some lines of merchandise this remaining function is being whittled down by direct shipments from producer to consumer, but in only a few special cases has this movement resulted in the elimination of the middleman and the transfer of his last function to the producer. This has been true because the middleman is primarily fitted and equipped to perform this function economically, and nothing may be gained by the producer in taking over new duties which are foreign to his specialized work. Only where the middleman has stood as a barrier to a more complete distribution, has it been deemed wise by producers to perform this middleman's function themselves. For the most part, whenever they can get this function performed satisfactorily by the middleman, they are content to leave its performance to him.

Elimination of the Wholesaler.—In some lines of merchandise it has been found desirable to take over the residual function of one of the middlemen, viz., the wholesaler. This has been true where the manufacturer has stimulated a demand for his branded products by direct communication to the consumer of ideas about the goods, and where the cost of performing the residual function of the wholesaler was less for the producer than for the middleman. The desirability of taking over this function of the wholesaler by maintaining branch houses, is illustrated by the advantages accruing to a large paint manufacturer:

1. He is able to obtain the entire time of trained men, devoted solely to the handling of his products.

2. He obtains a direct contact with the retailer dealer, who he finds prefers on the whole to buy directly from the manufacturer.

3. He is enabled to carry larger and better assorted stocks than the wholesaler would be willing to carry.

4. In his experience the credit losses are less when the wholesaler is eliminated.

5. He maintains better control of general policy and prices.[1]

In the case of groceries, however, it is nearly impossible to eliminate the wholesaler for the following reasons:

1. There are so many small accounts to handle that it would be necessary to establish expensive business machinery in order to take care of them adequately.

2. The nature of foodstuffs, like corn flakes, makes it necessary for the retailer to have small shipments quite often, hence the producer would have to have a large force of workers whose sole duty it was to take care of the increased labor precipitated by many small orders.

3. Wholesalers have their distribution machinery established in all parts of the country, which would have to be duplicated by a producer attempting to get a wide outlet for his goods.

In the case of ready-to-wear commodities, on the other hand, where style is a prominent or dominating factor, the wholesaler is very profitably eliminated, and the merchandise sent direct from the producer to the retailer. This is true because:

1. The wholesaler cannot afford to run the risk of style change, on the close margin of profit which he charges for his services.

2. The distribution through the wholesaler is less speedy than by direct methods, and in ready-to-wear commodities the loss of time in delivery means the loss of money.

3. Sudden change in styles has gradually induced clothing dealers to go to market several times a year in order to make certain of securing the latest garments. During these trips

[1] A. W. Shaw, Some Problems in Market Distribution, p. 87, Cambridge, Mass., Harvard University Press, 1915.

the retailer establishes a personal contact with the manufacturer, thus making unnecessary an intermediary factor in securing the goods.

4. The increasing cost of clothing has resulted in producing a large element of value in proportion to the bulk.

Elimination of the Retailer.—It has already been stated that in some cases it may be advantageous to keep the wholesaler in the distributive process, and in other cases it may pay to eliminate him. The same is true of another middleman—the retailer. For example, a new product coming on the market may not receive the attention either from the wholesaler or the retailer that it should, and hence it may be necessary for the manufacturer to send out his agents to the consumers in order to create an adequate outlet for his product. This was true of aluminum cooking utensils. Retailers had been selling cheap enameled ware and tin, and failed to realize the value of aluminum ware, which cost many times the amount of the older forms of utensils. The only way in which large distribution for this product could be secured was by personal solicitation carried on by thousands of manufacturers' agents throughout the United States. After the consumer-demand had been created, it was found more economical to distribute these products through retailers and wholesalers. At the beginning, however, distribution would have been retarded if the retailer alone had been relied upon.

It has been desirable to eliminate the retailer, either temporarily or permanently, not only in the distribution of new articles like aluminum ware, typewriters, washing-machines, and the like, but likewise in the marketing of products which are: (1) bulky and expensive, and seldom purchased more than once by a consumer; or (2) very expensive in proportion to their bulk. Illustrations of this latter class of merchandise cover watches, clothing, household appliances, machinery ac-

cessories, and similar items which are sold direct to consumers by mail order houses and manufacturers. The former class is illustrated by farm machinery and automobiles. These goods have to be demonstrated; expert salesmanship must be used to demonstrate their advantages if a satisfactory outlet for the factory producing them is to be developed. As demonstrations and specialized salesmanship cannot be supplied by the retailer, the manufacturer obtains special experts for the purpose, and thus the retailer is eliminated.

Establishment of Business Connections.—It may have appeared from the previous statements that the selling function has been largely taken away from the wholesaler. In fact, only part of his selling function has been taken away, i.e., the communication of ideas regarding the goods to the consumer. The remaining part of this function consists of establishing business connections with manufacturers and retailers. This often demands personal solicitation and continuous correspondence, even though the manufacturer performs the function of conveying ideas regarding the merchandise, and adjusts the numerous everyday complaints and misunderstandings that arise. This aspect of selling cannot be taken over by a functional middleman, and if not performed by the wholesaler must of necessity fall on the shoulders of the producer. For some time at least, and for some commodities, it will be necessary to employ the wholesaler to perform this phase of the selling function, as well as the residual function already referred to.

Closely related to the selling function is also the desirability of intimately adjusting production to the needs of the retail trade. The wholesaler, through his close connection with retailers over a wide area, is often better enabled to study the retail trade than is the manufacturer. The deadening familiarity of direct contact with the ultimate consumer does

not handicap his judgment, as is often the case with the retailer; neither does isolation, such as the producer experiences, prevent him from maintaining sympathetic points of contact with the consumer. In other words, he has a natural point of vantage in analyzing markets because he is neither too near nor too far from them. Some prominent wholesalers are making use of this advantage, and are enabling the producer and retailer to effect a nicer adjustment of goods to desires.

Again, while functional middlemen have taken over the risk-taking, financing, transportation, storage, and selling, yet parts of these functions are daily being performed by wholesalers in distributing many lines of goods. For example, no insurance can be purchased which will prevent the wholesaler from losing money in case the market price of his commodities falls, except in the case of some kinds of grain where organized speculation exists. Again, the wholesaler must provide storage space in order to regulate the daily flow of commodities; only over long periods of time may it be desirable to employ the storage facilities of the functional middleman. Further, retailers are notoriously "slow pay," and wholesalers finance them by allowing them to run bills for a considerable length of time. Manufacturers are often likewise financed by wholesalers who permit them to draw drafts at the time of shipment.

Merchandise Basis of Middlemen Differentiation.—Differentiation among middlemen has not only developed as regards functions, but also as regards commodities handled. There are wholesalers for groceries, hardware, and shoes, as well as for other goods. This type of differentiation is likewise evident in retailing, where the old-time general store is found only at the country crossroads, and where so-called specialty stores have taken the place of stores which formerly handled two or more different lines of goods. It might appear that

the department store is a violation of this tendency toward differentiation, but this is hardly the case, since the department store is in reality nothing more or less than a group of specialty stores under one roof. In other words, it is in no way to be compared with the old general store. The "department idea" makes the store a number of specialized units.

Effect of Number of Middlemen on Costs.—It is a commonly accepted opinion that if some of the middlemen could be eliminated, the costs of marketing goods would be reduced. Such a contention is based on the belief that since every middleman must take out a profit, the larger the number involved in a distributive process, the higher the selling price must be. According to similar reasoning, the larger number of men employed in the production of a shoe, the higher must be its price, since the wages of several men must come out of the sale price of the shoe rather than the wage of one man. Obviously such reasoning is fallacious. A hundred men each performing one operation on the shoe may make a better shoe, and at a lower cost, than one man performing the entire operation. The same applies to the distribution of goods. Several middlemen between the producer and consumer may enable the goods to be marketed at a lower cost per unit than where a less number exists. Specialization in production usually means a larger quantity and a better quality, and this is no less true in the field of distribution. Why anyone should believe that in production a subdivision of processes is desirable but that in distribution it is not, is difficult to understand. In a seller's market the competition among middlemen to get the goods leads to specialization, but in a buyer's market the opposite tendency exists.

Profits of Middlemen.—If the producer assumes the function of communicating ideas to the consumer regarding the

goods, or turns this function over to a specialized agency, the middleman is performing only part of the function which he formerly performed, therefore he should not receive as large a margin of profit as he formerly did. As a compensation for this lower margin of profit on each sale, the middleman is forced to secure a greater turnover; and this is usually possible because of the consumer-demand created by the advertising producer or his agency. If the producer does not reduce the margin of profit to the middleman, it means that the latter is being paid for a duty from which he has been relieved. Eventually the consumer would have to pay for this inefficiency. Some producers no doubt have been reluctant to assume the function of communicating direct with the consumer, because they have felt that the middleman would expect compensation for that function if he were to continue the physical distribution of their goods.

Summary.—While the evolution of industry during the past 150 years has tended toward the differentiation of the middleman's functions, and has apparently, to some extent, lessened the importance of the wholesaler, the residue of functions left to this middleman makes him of great importance in the present distributive system. In the distribution of some lines of goods it has been possible to eliminate this middleman entirely, by transferring all his functions either to the functional middleman, to the producer, or to the consumer. In the distribution of some other lines of merchandise it has been found desirable to eliminate temporarily the wholesaler, but to utilize him ultimately; while in still other classes of products it has been found disadvantageous to attempt to take over the remaining functions of the wholesaler. Whether any or all of the middlemen can be eliminated depends entirely upon the conditions surrounding the distribution of each particular product. But even when the middleman is eliminated,

his functions cannot be; these must be performed either by specialists who divide his duties among themselves, or by the producer or the consumer, or shared in different proportions by each. Only in an autonomous economic order could marketing functions be eliminated; it would then be necessary to adjust production to consumption because of the close relationship in time, place, and ownership existing between the two.

CHAPTER II

INTEGRATION OF MARKETING FUNCTIONS

Transformation from Seller's to Buyer's Market.—In the last generation there has been an extensive readjustment in the distribution system. At times, this change has resulted in disorder and chaos. The normal course of the distributive process as it had been developed up to that time was from manufacturer to jobber, jobber to retailer, and retailer to consumer, each marketing function in the series differentiated and performed by independent organizations. When within recent years manufacturers, jobbers, and retailers attempted to take over one another's functions, disorder naturally resulted. Integration of marketing functions meant the elimination of some old types of middlemen and the combining of their functions under new organizations. The struggle for survival has made the period of transition a bitter one and most confusing in its significance even to the parties involved in it.

This readjustment was caused by the transformation of a seller's market into a buyer's market, and advertising was destined to play an important rôle in the transition. When advertising became known as a marketing force, manufacturers attempt to use it as a device to eliminate the jobber, and in some cases the retailer. It was believed that a consumer-demand could be created which would make possible a permanent, steady outlet for goods and cheaper distribution. The building up of a sales organization, which this plan necessitated, was often a costly expansion, but the belief was prevalent that a cheaper selling expense would ultimately result.

Readjustment from Manufacturer's Viewpoint.—While the change in relationship between demand and supply was the underlying cause of market readjustments, with the resulting disorder to the mechanism, the immediate reasons for integration are found in certain practices of market functionaries. Manufacturers allege that jobbers refuse to push their goods while giving preference to goods of competitors. A manufacturer desires, of course, to increase his production in order to utilize to the fullest extent the utilities of his plant, thereby reducing unit costs. This desirable result cannot be attained, however, if the larger production has no market. If the jobber refuses to create a market, a natural result will be that the manufacturer will try to create his own market by advertising, and by going into the jobbing business.

The manufacturer further accuses the jobbers of getting out their own private brands in competition with the brands of their clients. These substitute brands, he urges, put out by the jobbers who control the channels of trade to the retailer, not only cut down the market for the manufacturer's product, but endanger the reputation which the manufacturer has built up for his goods. Hampered on every side, out of touch with the markets, and dependent for distribution on jobbers who could not be trusted to push their goods, manufacturers have revolted and gone over the heads of both jobber and retailer.

The manufacturer asserts that it has been necessary in most cases to go over the heads of both functionaries, because the retailer has been controlled body and soul by the jobber. The jobber has made a personal friend of the retailer through long years of personal solicitation by his salesmen. In many cases, moreover, he has extended credit to the retailer until the latter lives only by the jobber's sufferance. Because of his hold upon the retailer, indeed, through the influences alike of fear and of gratitude, the jobber has been able to retain

control of the most important outlet for the manufacturer's goods.

From the point of view of the manufacturer, in short, the old conditions of distribution had become unbearable. When relief appeared in the form of advertising he turned to it eagerly as the solution of his marketing problem. His belief was that the jobber could be eliminated from the marketing system, or be forced to carry the goods because of retailer-demand; while retailers would be coerced to handle the advertised goods by reason of consumer-demand. Unfortunately for the manufacturer, such an easy victory was not to be.

Readjustment from Jobber's Viewpoint.—The jobber's explanation of the present market disorder is as follows. The fault lies largely at the door of the manufacturer, who attempted to go over the jobber's head before the jobber put out his own private brands. The jobber has gone into the manufacturing business or has assumed control of sources of supply as a matter of necessity, in retaliation for the manufacturer's going into the jobbing business. When the manufacturer had taken his brand away, the jobber was left with a retailer market but nothing of a specified character to satisfy the demand. In order to keep his organization intact, the jobber has produced or procured his own brands, or has contracted with others to produce the goods on which he has put his label.

The jobber also blames the retailer. He asserts that as the unit of retailing has increased in size there has been a greater tendency for retailers to go direct to manufacturers for goods, securing thereby the same quantity discount as is given to the jobber. This "cream of the business" jobbers claim for their own, and see no justification for the manufacturer's selling over their heads to the large retail stores. The manufacturer,

on the other hand, replies that he is justified in selling to any store which is willing to buy in large quantities similar to those offered to jobbers.

Because of this narrowing of outlet for the jobber's goods, the latter has in many cases gone into the retail business, thereby stiffening competition in retailing and causing cries of protestation from members of the retail trade. The jobber has replied that he must create a market for his goods by going into retailing, because, just as the manufacturer on the one hand has provided a market for himself by creating a consumer-demand, the retailer on the other hand has sought to eliminate the jobber by going over his head to the manufacturer.

Readjustment from Retailer's Viewpoint.—About the same time that jobbers began complaining that they were being crowded out by the retailers, retailers were claiming that they themselves were being crowded out by the jobbers. This was being accomplished, they said, by jobbers' taking the cream of the retail business, i.e., the trade of large establishments, such as boarding houses, hotels, public institutions, societies, clubs, etc. The jobber replied that these buying units desired goods in large quantities such as were being sold to retailers, and that it was no more than right that they should be supplied direct and given a quantity discount.

Failure of Advertising to Eliminate Jobber.—Through all of this confusion the manufacturer was pushing his advertising in the effort to create a market for his goods, but success was uncertain because of the other factors in the marketing system. Consumers were learning to ask for the advertised goods in retail stores, but jobbers were coaching retailers to substitute their brands for the advertised manufacturer's brands. Substitution proved to be surprisingly easy, and the

longed-for and eagerly sought after outlet for the manufacturer's goods proved to be a mirage. Something had to be done to prevent the retailer from making substitutions. Cleverly distinctive trade-marks and convincing copy would not avail; some other means had to be found.

Return of Manufacturer to Old Marketing Channels.—The manufacturer's pride revolted against making overtures to the jobber and retailer, after every effort had been made to eliminate the former and force goods upon the latter, but such overtures to the majority of manufacturers appeared to be the only way out of the new dilemma.[1] The old channels of marketing had to be retained, while devising some new way to induce the jobber and retailer to co-operate with the manufacturer in getting the largest possible distribution. If a sizeable distribution could be secured, one large enough to enable the plant to produce in the stage of decreasing costs, that was all that the manufacturer desired. And if some *rapprochement* with jobber and retailer could accomplish this result—then that was the result to be sought.

A new turn in the readjustment of the factors of marketing is thus seen in the manufacturer's going back to the old channels of distribution. He is not, however, relinquishing his advertising. He still creates his consumer-demand, but he does not expect too much of it. Consumer-demand is no longer looked upon as a force which is capable of overturning established methods of marketing goods; rather, it is viewed as a device which enables a permanent, stable, progressive trade to be established, if it is used in *conjunction* with present marketing facilities. Advertising is now viewed as a means of securing the co-operation of both the jobber and the retailer, rather than as a means of eliminating either of them.

---

[1] Comparatively few manufacturers were able to create their own retail outlets.

Realizing their permanence, the jobber and the retailer are now able to treat with the manufacturer more open-mindedly.

Jobber's Co-operation with Manufacturer.—How has the manufacturer succeeded in securing the co-operation of the jobber in enlarging his distribution? It has been accomplished in the first place by dealing fairly with the jobber and giving him all of the manufacturer's goods. Assured of all of the manufacturer's business, the jobber undertakes to secure it a broad outlet into retail channels. In the second place, assured of a large, staple consumer-demand, the jobber is induced to handle the goods even though the percentage of profit to be secured may be smaller than is derivable from unadvertised brands. In the third place, the jobber is assured of a retailer-demand because of certain methods recently applied in obtaining the retailer's good-will for the product.

Retailer's Co-operation with Manufacturer.—Even after satisfying the demands of the jobber and securing from him wholehearted co-operation in developing wide distribution, the manufacturer had a retailer problem on his hands. The retailer, in many cases, had been opposed to handling nationally advertised merchandise because it carried a smaller percentage of profit than did jobbers' brands. In such cases, even though there was a consumer-demand and the jobber was willing to handle and push the goods of the advertising manufacturer, the retailer was enticed away to longer-profit goods by other jobbers whose interest it was to handle these other lines. This situation demanded an educational campaign for the benefit of the retailer, conducted by the manufacturer, whose interest it was to widen the outlet for his merchandise and make good the vast sums expended in the creation of the consumer-demand.

The effort to get the co-operation of the retailer has taken

many forms. One of the first neecssary steps was to convince the retailer that a larger total profit could be made on advertised brands, even though they did not carry so large a profit per sale as those not advertised. This was often most difficult to prove to the retailer's satisfaction. An advertised article might carry only a gross profit of 25 per cent, while the unadvertised brand perhaps carried a margin of 40 per cent. The manufacturer had to show that the selling of the higher-margin goods lost money to the retailer in the long run. To show this he had to prove that it *cost less to sell* the advertised goods. More of these goods could be sold in a quicker time and by cheaper salespeople, since they were partially sold when the customer came into the store. Likewise, the argument that the store handling well-known goods had the greater prestige was made to do its work. The advantages of a staple demand were not overlooked, while the ability of the jobber to give prompt and efficient service was no doubt another strong argument.

Partial Integration of the Selling Function.—But the manufacturer did not stop here. He not only proved to the retailer that the latter could make more money by handling the advertised line, but he also helped the retailer sell it. In other words, the manufacturer's obligation to the retailer did not cease when the goods were produced and given to the jobber, and when advertising copy had been placed in magazines and newspapers. The manufacturer took upon himself the obligation of moving the goods off the shelves by teaching the retailer methods of salesmanship and advertising within the store. These co-operative selling methods have taken many forms, but the most common of them are found in dealer-literature, window displays and demonstrations.

Dealer-Literature. Dealer-literature has sought to portray the selling points of the goods in the most concise and con-

vincing manner, as well as to indicate the superiority of the merchandise over that of competitors. Human-interest copy, describing processes of manufacture, origin of raw materials, meaning of designs, and history of development, has aroused the enthusiasm of retailer and salespeople. A statement of tests to which goods have been subjected has tended to secure the confidence of the store in the goods, while comprehensive enumeration of ways in which the merchandise can meet the divergent needs of customers has given salespeople interesting and logical material out of which convincing sales talks can be constructed. This effort to make retailers expert in the selling of their goods gives manufacturers an advantage which means more to them than even their consumer-demand.

Window Displays. As regards window displays, some manufacturers provide at cost to the retailer a monthly service of window display. The Victor Talking Machine Company offers a high-grade service which has been worked out by experts. Each window display is tested for its selling power before it is sent out from the factory, and represents a far greater value than it costs the retailer. Each display is designed with attention, not merely to selling power, but likewise to ease of installation. Each one can be quickly set up by unskilled salespeople and is arranged in parts so that they can be made to fit any shaped window.

Demonstrations. Besides these internal methods of rapidly moving the advertised goods off the shelves, demonstrators are sent out from the factory from time to time to prove to the store's customers that what is claimed in their printed matter is true. These demonstrations, while valuable as advertising and as serving to bring new customers into the store, have their greatest value in creating in the retailer and his salespeople renewed enthusiasm for the merchandise. When the salespeople are themselves sold, there is little difficulty in selling the public. The manufacturer is beginning to

realize that he must sell the retailer and his salespeople the idea of the merchandise before he can hope to sell them the merchandise itself. And this is seen to be true even though there is an order of the actual merchandise in the store. More merchandise will not be ordered unless the merchandise in stock moves quickly. The methods indicated above are designed to result in quick turnovers.

Extent of Manufacturer's Co-operation.—It might appear that the manufacturer has more than met the retailer half way in his attempt to increase the distribution of his product. However that may be, he seems willing to go even further. Many of the more progressive manufacturers are not satisfied with educating the retailer to sell more of their own goods, but they are carrying out a plan of retailer education which seeks to enable the retailer to sell more of all goods. Justification for this wider education is derived from the growing belief that the more prosperous the retailer can be made, the better customer he becomes. The more prosperous he is, the sooner he pays his bills, the more trade he draws, the more loyal he becomes.

The nature of such wider retailer education varies under different circumstances, and with the needs of the various merchants, but usually covers better accounting methods, more efficient store arrangement, up-to-date advertising, business-building salesmanship, trade information on how to meet competition, specific questions with reference to price-fixing, figuring turnover, etc. The merchant is indeed indebted to the manufacturer who expends his efforts and money in such service.

Co-operative versus Coercive Methods.—Thus it is seen that manufacturers are getting away from coercion and are adopting co-operative methods of increasing their distribution.

They have come to the realization in many cases that they cannot perform the jobbing function so cheaply as the jobber, and that it is desirable to retain this functionary in their distributive scheme if he can be induced to push their goods. This object has been attained, at least in part, by helping the jobber get a market for their merchandise, and by assuring him 100 per cent of the output.

The manufacturer has also come to realize that he must co-operate with the retailer. Hence he is taking upon himself some of the responsibility of getting the goods off the retailer's shelves. He is proving to the retailer that quick turnover is not a mirage but a reality. Because of this tangible proof the retailer is much more attracted toward advertised goods, even if they bear a less percentage of profit than unadvertised brands. The retailer seems to be the keystone in the marketing arch. A readjustment of stones has been made and some of them have temporarily been left out, but the retailer's position has been recognized as the most strategic. A realization of this fact by retailers ought to go far towards voluntary co-operation on their part with the other functionaries in the marketing system, to the benefit of both themselves and the consumer.

Co-operation or Integration.—It is apparently true that where co-operation is impossible integration is inevitable, and where integration is impossible co-operation is inevitable. In the majority of cases integration of marketing functions has been impossible for several reasons:

1. Manufacturers lack capital to purchase or create their own retail stores.
2. They lack ability, capital, and experience to create their own jobbing department.
3. They cannot secure wide distribution through small selling organizations.

4. In territories where their own selling organizations cannot penetrate, their products are boycotted by retailer and jobber.

Where wide distribution can be secured for a product by eliminating the middleman and taking over his functions, integration is the logical development; where the difficulties involved in the combining of functions are too great, wide distribution can be secured only by intelligent co-operation with the existing marketing mechanism. Such co-operation is going on in grocery, jewelry, and other lines where wide distribution is difficult to secure through a manufacturer's selling organization.

Co-operation a Stepping-Stone to Integration.—It may develop that close co-operation between the market functionaries will ultimately produce a few large integrated systems, rather than numerous small independent organizations. Co-operating with a merchant to the extent of moving his goods off the shelves and improving his general merchandising methods may possibly lead to a more intimate association. Other selling functions of the retailer may be taken over by the manufacturer, resulting at last in complete integration with this manufacturer, or other stores with which this manufacturer has similar connections. Although drug manufacturers had apparently insuperable difficulties to overcome in securing their own retail outlet, these have been overcome by a co-operative combination of stores in which they are financially interested, the stores in turn having acquired an interest in the business of the manufacturers. In this instance, a co-operative beginning has led to integration throughout a wide field. Similar tendencies are seen in other directions.

Potential Supply as an Integrating Force.—It has already been indicated that integration became an important disturb-

ing force when the supply of goods increased at a more rapid rate than the demand. It should be made clear, however, that by supply is meant potential supply, not the actual amount of shoes, clothing, or furniture that is on the market at any one time, but rather the productive capacities of manufacturing plants. At the present time it is possible to produce goods in very large quantities, whereas during the last century productive capacity was much more narrowly limited. If productive capacities are utilized to their fullest extent, costs per unit of product decline; if they are only partially utilized, costs are higher. In order to get into a more advantageous producing stage, an outlet for production must be secured. Only through an increased outlet can production in decreasing costs be made possible. Efforts at co-operation with market functionaries, and schemes to eliminate them, are alike results of the existence of enormous potential supplies.

Chief Advantage of Decreasing Costs.—The decreasing cost stage of production is eagerly sought after by manufacturers not merely because it will return larger immediate profits. There is a more vital motive. Production under decreasing costs produces a cushion of profits which serves as an insurance fund for the profitable continuance of the business during periods of depression and in spite of vigorous competition. For example, if the production cost (including a fair profit) of an article is 20 cents because of production under decreasing costs, while the production cost of a similar article made by a competitor is 24 cents because of less favorable production costs due to inadequate distribution, the selling price of both will be fixed by the producer of the second article at 24 cents. The first manufacturer could by selling the article for 20 cents drive his competitor out of business and take over his trade, thereby increasing his own scale of production and possibly decreasing

costs still further. Under ordinary competition, however, he would probably not elect such a course, but would sell his article for 24 cents, making an extra profit of 4 cents per article. This extra profit in the aggregate will serve as a cushion to ease up the shock of adverse business conditions, while if the market contracts he is able to lower his price to 20 cents and put his competitor out of business. It is this protection which decreasing costs give them that makes manufacturers struggle for wide distribution. The wide distribution will enable them to produce under the most favorable cost conditions. In some lines integration of marketing functions produces the desired result; in other lines co-operation in its varying degrees of completeness makes possible at least a temporary enlargement of distribution. The struggle for business protection is at the root of the struggle for markets.

It often happens that when a manufacturer seeks to find his own markets his distribution costs are higher than when he turned over this function to one of the old specialized agencies. Where the jobber's selling expense may have been 10 per cent, the manufacturer's selling expense may be twice that. With increased production, however, the savings due to decreasing production costs may more than offset the loss incurred by the sales organization. It is with this possibility in view that some manufacturers maintain costly sales organizations when they might have a lower selling expense through some independent organization. As the volume of goods produced and marketed increases, not only may the production be carried on under decreasing costs but also the marketing. This result, insuring a double protection to the entire business, is naturally the aim of manufacturers.

CHAPTER III

THE WHOLESALER

Unjustified Criticism of Wholesaler.—Unfamiliarity on the part of the public with the wholesaler's or jobber's services to the manufacturer and retailer has led to much unjustified condemnation of this middleman. It is doubtless believed by many that prices would be lower if the marketing route could be shortened by eliminating the wholesaler and having the manufacturer sell direct to the retailer. Whether or not such would be the case depends on:

1. Whether the wholesaler is performing useless functions.
2. Whether the wholesaler is performing necessary functions in an inefficient manner.
3. Whether the manufacturer and retailer can perform these functions more advantageously for all concerned.

The nature of the wholesaler's services must, however, first be considered.

Services Rendered Manufacturers

Establishing Connections with Retailers.—It is usually necessary to establish trade connections by means of personal solicitation. For this purpose the wholesaler provides the manufacturer with a trained sales force which covers a vaster area in a more intense manner than the manufacturer could himself. Few manufacturers of a competitive line of groceries could carry a sales force large enough to establish connections

with the 300,000 retailers of food products; many dealers away from the beaten paths of trade, in any particular section of the country, could not be visited by the manufacturer's staff because of the expense involved. For example, a manufacturer of pickles could not afford to send his salesman to a dealer when the expense of calling on the dealer exceeded the profit derived from the probable sale. A wholesaler, however, could afford to call on such a dealer, since pickles is only one of a thousand products which he sells, and the expense of making the call would be spread over many products purchased by the dealer. The expense of selling pickles through the wholesaler would therefore be but a fraction of what it might be were the manufacturer to sell through his own sales force.

Manufacturers who have sought to secure their own dealer-outlet for their products have done so because they believed that their products were not being "pushed" by the wholesaler's salesmen. Their idea of intensive dealer cultivation seemed at variance with the method of selling pursued by the wholesaler. The latter handled so many different products that it seemed impossible for him to push any particular line. In order, therefore, to increase his sales in any one locality, the manufacturer created his own selling organization, with the end in view of extending the area of the selling field as each section became saturated with his product.

Experience has shown, however, that even when sales saturation of territory is desired, there is another alternative for the manufacturer than that just described. This consists of creating consumer-demand by means of advertising, thus magnifying the value of the product in the mind of the retailer, who in turn conveys this emphasis to the wholesaler. In conjunction with this method, a campaign to educate the wholesaler's salesmen regarding the merits of the goods, tends to give the products a prominence in their minds which ulti-

mately means greater emphasis by the salesmen when selling their line to dealers. Thus, from both the consumer and wholesaler end, pressure of ideas can be brought to bear which will tend to produce larger sales per dealer, without the necessity of canceling the wholesaler's services and creating a selling organization for the manufacturer's sole use.

Regulating the Flow of Commodities.—The wholesaler forms a central reservoir into which regular shipments of goods are periodically dumped. Here they are stored until they can be broken up into smaller lots and distributed among retailers. To absorb a known quantity of goods during any period, and to store these goods until needed by dealers, are functions of prime importance, demanding equipment, labor and risk-taking which would add materially to the duties of the manufacturer if he attempted to perform them. Moreover, the fact that these functions are turned over to a specialist means that they are more economically performed, and that they add less cost to the final price the consumer pays for the commodity.

It must be evident that storage is absolutely necessary in connection with the manufacture of commodities, if factories are to run uniformly and without interruption. Without storage facilities, factories would work at top speed during part of the year when the current demand was great, and during other parts of the year when demand was slack would run with a reduced labor force. Such a lack of uniformity in production would add to the cost of the commodities, since speeded and overtime production and slack production indicate inefficient methods of operating a plant. Only when all the facilities of the factory are being utilized to a well-defined limit can the per unit cost of production be held at the lowest point. Above or below this limit loss ensues. It is therefore the function of the wholesaler to draw from the manufacturer

regular amounts of goods that come from a uniformly productive process, and to hold them until they can be passed along to the retailer.

Grading and Classifying Commodities.—The demands and preferences of the trade are not the same in different parts of the country. Because of this fact, commodities must be sorted according to quality, size, style of package, and the like, and must otherwise be prepared for market. This function the wholesaler performs in the light of his extensive knowledge of the trade. It is, therefore, performed by a specialist who levies a less charge against the commodity for these services than would otherwise be the case. Furthermore, the taking over of this function by the middleman amounts to the latter's extending more credit and capital to the manufacturer with which to carry on the specialized work of manufacturing. Because of this larger amount of capital available for manufacturing purposes, the output should be larger, with a corresponding reduction of the cost per unit. Hence the consumer presumably will pay less for the commodity because the wholesaler assumes this function.

Freeing Manufacturer from Retail Credit Problems.—To deal directly with retailers demands a large investment of capital tied up in numerous accounts, the assumption of credit risks, and the clerical expense incident to the establishment and maintenance of the business machinery necessary for the proper accounting of large quantities of goods. If the manufacturer of a grocery specialty with a national distribution should desire to sell direct to retailers, it would be necessary to carry more than a quarter of a million accounts. Many of these accounts would be "slow," thereby absorbing important increments of capital that would otherwise be employed in increasing production. Moreover, some capital

would be completely dissipated, since losses because of bad debts increase with the number of the accounts, and with the changing character of the accounts, i.e., from wholesaler to retailer. These factors would in many cases handicap the manufacturer, and would result in loss if performed at an expense exceeding that at which they could be accomplished by the wholesaler who specializes in such functions.

When dealing with the wholesaler, the manufacturer gets his money in ten days or less. His capital is therefore liquid and can be turned back into the business as rapidly as it is transformed into goods. The manufacturer's accounts are few compared with those necessary when selling to the retailer; possibly they do not exceed a couple of thousand. As it is a much simpler problem to keep up to date the credit standing of this limited number of firms, the credit risks are materially less. Accounting machinery is correspondingly simple and inexpensive. Large and expensive duties are, therefore, taken from the shoulders of the manufacturer when he follows the policy of selling by means of the wholesaler. He could perform these duties himself, the same as he could make the machinery for his factory, but he is a specialist and finds it to his advantage to have all services except that of manufacturing performed by other specialists. Of course, where these external functions are not performed efficiently by the wholesaler, then no alternative except that of taking them over by the manufacturer may exist.

Analyzing Market Conditions.—With the increase of time and space intervening between the production and the consumption of commodities, the problem of determining when and where goods should be sold, and in what quantities, qualities, styles, shapes, and sizes they should be placed on the market, has become one of extreme complexity. Unless the pulse of the market is felt with understanding, possibilities

of overproduction or underproduction are ever present, with an attendant loss to the manufacturer in each case. Here is a situation demanding a specialist, and the wholesaler has thus far qualified to some extent for the position. His advantage over the manufacturer is found in: (1) his organization, and (2) his position in the marketing process.

The wholesaler's organization is one which almost automatically provides him with invaluable market data. He is intimately in touch with actual business conditions throughout the country, or in any particular section, because of his staff of salesmen who are sending in daily and weekly reports from the field.

These salesmen's reports often deal with such topics as changes in the trend of demand, stoppage of demand, increase or decrease in spendable incomes, disturbing factors, calamities, activities of competitors, activities of substitutes, and the like. The wholesaler may therefore be in a position to give valuable market information and advice to his clients. The only difficulty is that where there are many clients, a clash of interests may be almost inevitable.

The wholesaler's position in the marketing process is one of advantage in interpreting the data brought in from the field. Being one step removed from the physical process of production, the wholesaler has a wider perspective; he is better able to judge market data impartially without being prejudiced by the ever-pressing manufacturing problems. In his advantageous position he can see contending conditions in their true relationships. He is likewise far enough away from the consumer not to be distracted by unimportant local movement, and yet close enough to know the trend of the movements taken as a totality. Knowing other than local markets, and also the movements of other wholesalers, the typical wholesaler occupies a position of vantage in gathering and interpreting market information.

Services Rendered Retailers

Establishing Connections with Manufacturers. — The wholesaler brings the retailer in contact with many sources of supply, some of which would otherwise remain unknown. This is accomplished by means of a sales force which may carry the goods of many different manufacturers. By such an organization the offerings of the market are brought to the retailer, making it unnecessary for him to seek out the manufacturer. The retailer is therefore relieved of much responsibility of hunting up goods, and at the same time is educated in respect to the available supply of merchandise of many different origins and varieties. His problem of buying is made easier, hence he can give more of his time and energy to the selling phases of his work.

The retailer is also relieved from the necessity of carrying many accounts with manufacturers all over the country, and is enabled to concentrate his purchases in a few wholesale houses. This service reduces the clerical expense in stores, and simplifies the accounting organization of the small retailer. Much time and expense is saved in making claims and complaints, because these can be registered with one or two wholesalers even though the causes for the complaints or claims may be represented by merchandise in widely differing lines. Moreover, the time required to look over the line of goods presented by the wholesaler's salesman is much less than would be the case if these goods were carried by many different salesmen from different manufacturers. The time already spent by retailers in looking over salesmen's samples is a great drain on their possible activities. Any further encroachment in this direction must justify itself by a corresponding benefit.

Storing Commodities.— The average retailer does not have adequate storage space, equipped with efficient devices for

making goods quickly accessible, and designed to preserve merchandise from deteriorating influences. Disregarding the capital invested in the goods themselves, the retailer does not have the available capital to provide comprehensive facilities for caring for large shipments of merchandise. To provide such facilities would mean the draining of important increments of capital from the purchase of stock. To carry large reserve stocks would mean speculation in respect of their market prices. Under present conditions much of this market risk is borne by the wholesaler who is better supplied with capital and possesses a more comprehensive knowledge with which to meet the situation.

From the wholesaler's storage of merchandise extremely small units must be sent to retail stores from day to day, and often on a few hours' notice. This of necessity is the case, because retailers are required to carry a large variety of goods and with limited capital can handle but a little of each at a time. Where the small retailer has attempted to pursue the opposite course, and has purchased in quantity, he has almost invariably failed. Under normal conditions, the turnover is one of the most important principles of merchandising and no retailer can afford to overlook it. Small, clean, up-to-date, well-selected stocks that are moving, produce profits; while large stocks which become sluggish because of change in demand, deterioration, or lack of interest on the part of salespersons, are liabilities that are a heavy burden on the vitality of any store. The elimination of the wholesaler would mean a radical change in present-day merchandising methods, or else the taking over by the manufacturer of the function of releasing small units of goods to tens of thousands of merchants widely scattered over the country.

Financing the Retailer.—Although the functional middleman—the banker—has assumed a large portion of the func-

tion of financing the distribution of goods, yet the wholesaler has large amounts of capital tied up in financing operations. A large part of these financing operations must continue to be performed by wholesalers, since bankers are generally reluctant to extend credit on the character of the security or the lack of security offered by extensive numbers of retailers. A distinct and exclusive service is therefore rendered many retailers, when wholesalers extend credit to them in the form of a stock of goods, or permit accounts to run for a longer period than is the case when manufacturers sell to wholesalers. Without this intimate financial aid men with small captial would be handicapped in entering business, or be entirely prevented from going into business for themselves. This is especially true of the neighborhood store, which has arisen because it performs a valuable service for outlying customers. The cost-to-sell of these stores may be greater than stores nearer the beaten paths of trade, because of the very fact that wholesalers' discounts are not taken up, but these higher costs are made up by the store's clientele who receive place utilities in connection with their merchandise.

Competition also is stimulated by this financing function of the wholesaler, and consumers receive their goods at a price which in many cases leaves no profit for the retailer. In other words, profits tend toward the vanishing point where strong competition exists. Among the small retailers there is not only strong competition, but excessive competition, thereby insuring the customer his merchandise practically at cost. With a smaller number of retailers, a greater possibility of price understanding would exist, which would aim at maintaining a price that would make possible a profit to all stores that come to an "understanding." It is possible that this excessively strong competition is a bad thing for society, but at any rate the generous extension of credit by wholesalers which makes this condition a possibility must be considered

as an important service to the small retailer, or the man who desires to go into business for himself.

Analyzing Retail Conditions.—An increasingly important function of the wholesaler is that of studying the needs of the retail trade. The wholesaler is coming to realize more clearly every year that his prosperity is inseparably bound up with that of the small retailer. He makes possible the small retailer, and in turn is maintained by him. If one goes, the other also goes. Realizing this intimate connection, the wholesaler is endeavoring to help the retailer purchase those goods which will readily turn, and thus lay a foundation for continuous future sales. This new development is quite in contrast to the former policy often practiced by wholesalers of loading up retailers with more goods than they could sell. When the wholesaler's position in the distributive process is secure, such a policy might be followed for a time with impunity; but with the present movement of manufacturers to get a broader and quicker outlet for their goods, and the corresponding tendency to eliminate the wholesaler wherever possible, the latter has recognized his danger and has strengthened his position by developing a community of interests with the retailer. That the retailer is recognizing the value of this co-operation is evidenced on many sides.

The elements involved in a study of retail needs vary with different commodities. Changes in demand must be sensed, shortages in supply anticipated, degree of saturation in a territory determined, local peculiarities analyzed, and surveys of competitors projected. What the retailer should purchase, how much he should purchase, and when he should purchase it, are as much wholesalers' problems as they are retailers'. Moreover, although the retailer is physically intimate with conditions in his territory, he is more often mentally a stranger to circumstances which vitally affect his business.

The wholesaler, with a broader vision and knowledge of what is going on elsewhere, can more adequately interpret local movements and can induce the retailer to profit by their true significance.

Wholesalers are not only assuming the responsibility of analyzing market conditions which affect the retailer, but they are, in many cases, also endeavoring to increase the internal efficiency of the retail store. This is being accomplished by giving suggestions for displays, fixture arrangement, advertising, and methods of handling customers. Some wholesalers are giving their clients accounting systems, and providing an instructor to install them and get them in running order. Demonstrations are provided, not only to convince the store's customers, but also to arouse the enthusiasm of the retailer and his salespeople for the merchandise. Such instruction in merchandising is one of the most valuable functions performed by the wholesaler, not only from the standpoint of the retailer, but also from that of society. Better merchandising means lower costs, and with the intense competition of the small stores fostered and kept in existence by wholesalers, the customer may expect to get the maximum of service with the minimum of cost.

CHAPTER IV

NEW TYPES OF WHOLESALERS

Manufacturing Wholesalers

Rise of Manufacturing Wholesaler.—If the wholesaler performed only those functions which have thus far been considered, the present system of distribution would present a much less complicated problem. The disturbing element in the situation has been a growing tendency on the part of the wholesalers to manufacture goods themselves, or, what amounts to the same thing, to control the factory output of manufacturers from whom they buy. Many other wholesalers in all lines have concluded that it was to their interests to put up goods under their private brand or label, and thus they have come to be competitors of their clients—the manufacturer whose goods they distribute.

The wholesaler maintains that the manufacturer is to blame for the development of this tangled situation. By selling to department stores, mail order houses, retail chains, and buying syndicates, the manufacturer has taken the cream of the wholesaler's business and left for the latter only the small buying units, the purchases of which bear a smaller percentage of profit in proportion to the expense involved in selling the order. The growth of new types of retailers has presented a temptation to the manufacturer which it has been difficult for him to resist. Larger direct orders were his for the taking, and naturally the wholesaler was not consulted. The wholesaler, being deprived of the profit which was attached to the portion of the manufacturer's output thus sold, was forced

either to content himself with getting a profit from the resale of the balance of the manufacturer's output, or to go into the manufacturing business himself and try to hold the market which he had created for his client's goods. The wholesaler maintains that self-preservation dictated that he follow this latter policy.

The manufacturer has felt forced to adopt the policy of direct dealings with large buying units, because the wholesaler did not create a satisfactory outlet for the manufacturer's goods. Moreover it is asserted that instead of pushing his goods, the wholesaler exerted his influence with the trade to substitute his own private brands for those of the manufacturer. By being closer to the retailer and in more frequent contact with him, such a procedure was possible—it could not be prevented by the manufacturer. With markets sluggish, or closed to his products, the only alternative for the manufacturer was to find his own markets; and fortunately the growth of new types of retailers, such as department stores and mail order houses, made such a direct connection not only possible but profitable. Having developed a selling organization to deal with these larger buying units, it was only natural to expand in order to take care of the smaller units, until at length the manufacturer found himself independent of the wholesaler's services.

Reasons for the Rise of Private Brands.—Either unconsciously, or by deliberately disregarding the consequences, manufacturers have helped to originate and further the marketing of wholesalers' private brands. This has come about in several ways. In the first place, a manufacturer may miscalculate the demand for his trade-marked article, and produce more than can be absorbed in his own market. In some cases it may be possible to carry over this surplus to the following season, while in others a large loss might result

from depreciation or obsolescence. Whichever is the situation, it is usually desirable to sell existing stock in order to liquidate capital for further manufacturing operations. Accordingly, manufacturers sell their surplus in bulk to wholesalers, who attach their own trade-marks or brands to these goods and sell them in competition with those of the manufacturer. The manufacturer feels that he has lost nothing by the transaction because his own brand has been protected, and he has at the same time liquidated sluggish stock.

In the second place, some manufacturers place their trade-mark only on goods of the first class. Imperfect goods are turned over to wholesalers to be branded by them and disposed of to the public, who are unaware of their origin. In lines where this policy has been followed to a high degree, wholesalers' brands naturally have the reputation for inferior quality. Many wholesalers' private brands are, however, of the best quality. In such instances as these the whole purpose of the trade-mark, viz., identification of goods, has been violated, and the customer is at a loss to know who is responsible for them. The manufacturer could market his "seconds" under a different trade-mark, but perhaps this would not be economical, since specialization in distribution is as much desired as in other fields.

In the third place, certain classes of manufacturers have no trade-mark of their own, but produce goods for wholesalers, mail order houses, and dealers, who assume responsibility for the product. Such a policy is often followed because it is the line of least resistance. A wholesaler offers to take the entire output of a manufacturer, to whom he assures not a fancy profit but a certain profit. Rather than to build a reputation for his product through a costly selling or advertising organization, the manufacturer accepts the easy method of sale and turns his yearly output over to the wholesaler. The chief danger of such a policy is that the manu-

facturer may place himself at the mercy of the wholesaler, and in case the latter should refuse to make the usual yearly contract for output, the manufacturer would be without a market. With a large plant on his hands and no market outlet, solvency cannot long be maintained. Many manufacturers, however, are willing to throw their lot in with wholesalers and mail order houses, hence the private brand becomes a deep-rooted institution in the marketing of goods.

Profit on Private Brands.—Non-advertised and wholesalers' private brands usually pay wholesalers a larger percentage of profit than nationally advertised brands. The advertising manufacturer justifies such a policy on the ground that he has performed part of the functions of the wholesaler when he has gone to the expense of making known to customers certain facts respecting the merchandise. With this selling information in the minds of customers, a larger and more spontaneous demand for the goods from retailers results, and this in turn is reflected in a more active demand for the goods which retailers make on wholesalers. The manufacturer, therefore, has taken over to some extent the function of creating demand, and he reimburses himself by allowing the wholesaler a smaller percentage of profit on each nationally advertised article.

There is naturally some opposition on the part of the wholesaler to the smaller percentage of profit allowed by the advertising manufacturer. The latter, in case he does not desire to assume the physical distribution of his own product, in order to be successful must get the co-operation of the wholesaler, which is usually accomplished by demonstrating to this middleman that greater total profits can be secured by selling the nationally advertised product, although the average profit percentage on each article is less than on some competing lines. Total profit is really what the wholesaler

is after, and a quicker turnover of his stock will produce this desired result even where the percentage of profit on individual sales is less than might be secured on non-advertised merchandise.

Protecting Consumer Against Private Brands.—The consumer is not necessarily injured by the distribution of private brands. If, however, the same goods are sold at one price under the manufacturer's trade-mark, and at a lower price under the wholesaler's brand, knowledge of this fact will prejudice the public against both brands. In reality there may be no sound reasons for prejudice, since the manufacturer may be able to maintain quality, reduce his overhead expenses, and improve his product, because of his ability to turn a loss into a gain through disposition of surplus stock to wholesalers.

Because of the belief that the interests of customers are injured by private brands, several attempts have been made to eliminate them by legislation. The most prominent remedy proposed is that the manufacturer be required to put his name on all merchandise produced by him. This, it is believed, would eliminate the private brand for two reasons:

1. Manufacturers would not want it known that they were producing goods for private branding which were identical with those bearing their own trade-mark.
2. Wholesalers would not want it known among retailers that they were not the manufacturers of the goods which they market as their own.

It is probable that neither of these supposed hindrances to the creation of private brands would prove effective. Considering the first proposition, the manufacturer could attach his name inconspicuously as compared to the name of the private brand, so that only those customers who bestowed exceptional scrutiny on the label would discover the actual

producer. The loss of good-will to the manufacturer because of this discovery by a small number of customers, would probably be more than offset by the gain derived from turning surpluses over to wholesalers for private branding. Even with the manufacturer's name conspicuously printed on the label, only comparatively few customers would realize its significance. Yet it must be recognized that in some cases such a legal necessity would undermine customer confidence and lose more than the gain that might come from selling this surplus to the wholesaler.

The second supposed result of such a law would be far less menacing than the first. Many retailers already know that wholesaler's private brands are not made by them. The prestige of the wholesaler is not necessarily at stake if the identity of the product is revealed. A brand should identify the one responsible for it, and not necessarily the maker. The retailer recognizes the wholesaler's responsibility in the matter and, as a rule, would not be prejudiced by antecedent identification. As long as the retailer can identify merchandise and place responsibility, he has no inclination to trace the goods any further. Putting the manufacturer's name on all articles of his production might lessen the prestige of the wholesaler, but it is difficult to see how this operation would prevent the wholesaler from continuing his present method of creating private brands from standard products of national reputation.

Private Brands and Large-Scale Distribution.—Several tendencies exist toward large-scale distribution. The wholesaler is tempted to manufacture his own private brand and substitute it for nationally trade-marked goods when selling to retailers. The manufacturer sooner or later senses the closing of his usual outlets for goods and welcomes the chance which the department store offers of selling direct. This gives the department store an advantage over its smaller competi-

tors and makes for larger department stores, since larger discounts are given with greater bulk purchases from the manufacturer. Unless the small store can develop advantages peculiar to itself, there is a definite and logical direction given to large-scale distribution.

This tendency exists not only from the standpoint of the retailer, but from that of the manufacturer. The latter increases his capitalization so as to include a sales organization, which must often be indefinitely expanded. The small manufacturer, with lack of vision of the market and ignorant of the means of selling direct and most advantageously is gradually eliminated, and the larger organizations which are independent of the wholesaler assume control of production.

This leads to the integration of distribution, since the manufacturer's output becomes so large that he must find outlets for his goods which are in excess of the department and retail chain store demand. He therefore creates a chain of stores himself, and by this last act controls the entire distribution of the goods from the moment they are produced until they are placed in the hands of the consumer. Similar to the integration which has taken place in production, a well-known example of which is the steel industry, is the growing tendency toward integration in the field of distribution.

The fact that manufacturers have permitted wholesalers to create private brands from their surplus or inferior stocks, with the result that they gradually have lost control of the market and have become dependent upon the wholesaler for the sale of their goods, has tended to force the manufacturer to sell direct to large buying units. Whether these large buying units are the result of this tendency or permitted this trend to satisfy itself, is a question difficult to answer. They are both probably cause and effect. The manufacturer would probably have worked out some co-operative measure with the wholesaler if no other outlet had been at his disposal; while,

on the other hand, the department store could not have developed the way it has if it had not possessed the advantage of buying at a quantity discount direct from the manufacturer.

Hindrances to Large-Scale Distribution.—What has here been said about the tendency toward large-scale and integrated distribution must not be construed to imply that this movement will continue at the rate at which it is now going. Public opinion, as reflected in our legislatures and the courts, impeded the progress of a similar movement in the field of production. If it can be shown that it is for the public interest to retard this tendency, there is no doubt that such a result will be achieved.

Another impediment toward the full realization of integration and large-scale distribution, is the combination of inherent advantages peculiar to the small retail store. Because of lower overhead expenses, and with potential efficiency in management and supervision, the smaller retail units may develop latent advantages peculiar to themselves which may go far to offset the advantages of large-scale buying enjoyed by the department store. If such is to be a future development, and there is much to indicate possibilities in that direction, the limit may be reached to the absorption of the retail field by large establishments, and as a consequence the manufacturer must rely more and more upon the wholesaler, since it has already been shown that where small stores exist it is uneconomical for the manufacturer to sell direct.

If the small store has certain inherent advantages over the department store, it may be asked if these same advantages do not inhere in the retail chain; may not the latter therefore displace the independent store thereby making the integrating process complete? In other words, large-scale manufacturing linked up with a large-scale selling force may sell to small stores in a chain owned by these manufacturers. Here would

be a case of large-scale production and large-scale distribution so far as the wholesaler's functions were concerned, but small-scale retailing so far as the physical establishments were concerned.

In answer to this question it may be said that the small independent retailer has certain advantages inherent in his establishment which are not to be found even in the small store of the chain. One preponderating advantage is the interestedness of the management. Another is the loyalty of the community. Whether these would be able to offset the chain store advantages, which involve better accounting systems, more systematic management, and quantity buying, is difficult to decide. It would seem from an investigation of the facts that the small independent store is not doomed if it can be made efficient. Many movements having widely varying sources are now at work to create this efficiency, and it is not too much to suppose that considerable success will result.

It is therefore seen that the problem of eliminating the wholesaler depends upon the changing character of the retailer. If large-scale retail units and the integration of other units are found to be more efficient distributors of goods than the small, independent stores, it may be possible for manufacturers to assume wholesaling functions and eliminate the present units that perform these operations. On the other hand, if the small independent retailer survives, the wholesaler will be necessary in order to supply him economically with goods.

Reasons for Retailer's Assuming Wholesaling Function.—Combining retailing and wholesaling functions under the head of a single organization has been brought about in some cases by the retailer, while in others the wholesaler has initiated the movement. Where the retailer has assumed the whole-

saler's function, the chief reason has been the desire to make a double profit. Another motive has been to develop a higher grade of service to his customers through making more accessible large and varied stocks of merchandise. The prompt delivery of newly produced goods is likewise assured. The retailer is thus enabled to develop a unique business which distinguishes him from competitors who do not enjoy the advantages offered by co-operative wholesale organizations. Even if no profit is made in the wholesaling end of his business, the retailer feels that it has paid for itself if it increases retail sales, establishes good-will, and assures a supply of merchandise that meets the demands of his trade.

Reasons for Wholesaler's Assuming Retail Function.— The wholesaler usually enters the retail business chiefly in order to insure a permanent outlet for his merchandise. With independent retailers forming buying syndicates; with the development of department stores which buy direct from the manufacturer; with the mail order houses satisfying a larger increment of the retail trade, wholesalers have felt the necessity of establishing direct contact with the consumer. This has resulted in chains of stores either owned or controlled by absentee owners or managers, and has presented another problem in marketing which is becoming acute in some communities. It has been found especially necessary for wholesalers to establish their own retail stores when the goods they controlled for resale have had characteristics which rendered them undesirable for the average retailer. Thus, slow-moving goods, broken lots, rare articles with large risk attached, and other goods of a peculiar character have been successfully disposed of only by control of the retail unit by the wholesaler. Another cause which has induced the wholesalers to combine retailing and wholesaling functions is a desire to establish service stations for retailers.

When a wholesaler assumes the retailing function, or vice versa, the wholesale and retail stocks are at first usually not separated, nor is there a separate organization for each. Accounts, however, are separated and someone may be appointed to handle the added line. As the new function grows in importance, segregation of goods and organization becomes complete. However, where wholesale and retail functions have grown up together in the same organization, differentiation has usually existed from the first.

Co-operative Wholesaling

Purpose of Co-operative Wholesaling.—As already indicated, the independent retailer has experienced within recent years keen competition from department stores, chain stores, and mail order houses. He has more recently come to realize that while he has some advantages peculiar to his particular kind of business, in order to survive he must secure buying advantages similar to those secured by these strong competitors. Since large buying power did not exist in each of the small retail units, it gradually became evident that the necessary and longed-for buying power could come only through co-operation of the small stores. Associations of merchants or buying syndicates were therefore formed in order to do for merchants collectively what it was impossible for them to do individually.

The savings effected by large buying power are several; among them is the ability to take up quantity discounts as wholesalers do. Better internal business management, and the elimination of part of the wholesaler's selling expense by maintaining a central warehouse, are also possible. Such profits of the wholesaler as are appropriated the co-operative buying unit distributes to its members as dividends, or lower prices of goods purchased.

Methods of Co-operation.—There are several different ways of carrying on co-operative wholesaling. One is for retailers to organize a buying syndicate, which buys in quantity lots certain lines of staples which they sell to the members for cash. The price represents the cost price plus administration charges. The usual profits of the wholesalers are, by this method, given to the members in the form of a lower price for the merchandise purchased. Usually the members of such a buying organization purchase only a small portion of their total stock in this way, only staples being handled.

A modification of this method has been made by some retail organizations which have established quarters in large manufacturing and distributing centers where manufacturers may display their goods for the benefit of member retailers who visit this exchange periodically. Purchases are made by members through a staff of expert buyers who are maintained by the co-operative organization. A closer touch with the market enables member retailers to purchase a wider range of merchandise than under the form of organization previously described. Even in this case, it is very often difficult for the co-operative organization to satisfy the exact needs of its members. A more exceptional form of co-operative wholesale organization is the incorporation of a body which performs almost the identical functions of the regular wholesale middleman. A warehouse is maintained, salesmen are employed, intimate contact is established with both manufacturers and stockholder retailers, and market information is made available to members. Any savings or profits accompanying the enterprise are paid to stockholders in the form of dividends.

Advantages of Co-operative Wholesaling.—In the first place, selling costs are usually low because the expenses of advertising and salesmen are minimized. The expense of

personal salesmanship is somewhat lessened because members order by mail, or call in person at the co-operative exchange. Mail order buying can be intelligently negotiated if the co-operative concern sends its members catalogues, price quotations, and accurate descriptions of market conditions or notice of special purchases from manufacturers.

Secondly, losses from bad debts are less than is the case with the old-line companies. This is the natural result of a policy of sales on a cash basis, or on very short-term credits—weekly or bi-weekly. The worst impediment to retailer co-operation seems to be overcome when cash payments are assured.

Thirdly, losses because of returned goods are usually smaller than in independent wholesale companies. Goods may be returned only for special reasons—usually when there is some defect in the merchandise. A retailer, being intimately associated with other retailers selling the same line of goods, may, however, be able to dispose of his excess stock through other members of the organization.

Fourthly, shipments direct from the manufacturer to the retailer (drop-shipments) may sometimes be arranged by the co-operative organization. The expense of sorting, classifying, and the like, is thus shifted to the manufacturer, so that the co-operative wholesaler acts merely in the capacity of a sales agent and collector. Such a plan, however, is possible only with those articles where small shipments do not materially increase the expense of the manufacturer. Members are also given the option of transporting their purchases from the wholesaler's warehouse, thus saving the transportation expense, or of having their organization do it for them and paying for it in the invoice.

Disadvantages of Co-operative Wholesaling.—Many obstacles must often be overcome in inaugurating a retail co-

operative buying organization. Antagonism is naturally exhibited by regular wholesalers, and every impediment is thrown in the way of its successful operation. Pressure is sometimes brought to bear on manufacturers to prevent their selling to such organizations, and if goods are difficult to get, membership becomes unstable. Furthermore, an organization of this character may have difficulty in demonstrating its permanence to manufacturers, for many organizations of this character have had but a limited span of life. With credit established, however, manufacturers are usually ready to sell goods to such syndicates, because a ready outlet is formed for their goods, without restrictions of private brands or middleman inertia.

Lack of loyalty to the organization is another stumbling block. When the organization fails to make advantageous connections with manufacturers; when merchandise secured by competitors cannot be secured through the syndicate; when errors in managerial judgment cause losses; and when some members are denied favors, disintegrating influences begin, which, unless counteracted, make for dissolution. The character and intelligence of the membership determines, to a large extent, the success or failure of the venture. Unfortunately, among the smaller retailers breadth of vision is frequently lacking, hence the co-operative movement has not developed as it might. With increasing competition from retail chains, department stores, and manufacturers' selling agencies, a community of interest must sooner or later arise among a growing number of retailers which will exhibit itself in more retail co-operative wholesaling associations.

CHAPTER V

THE DEPARTMENT STORE

Changing Methods of Retailing.—The development of retailing in the United States may be divided into two periods: that preceding the Civil War, and that following it. During the early period there were no department stores, chain stores, or mail order houses; all of these were the outgrowth of conditions following the Civil War. Goods were sold for the most part through general stores, although a few specialty stores had come into being in the cities where a wider market had developed.

Characteristics of Pre-Civil War Period.—Long credits were the rule and discount for cash was uncommon. Goods were purchased in large quantities, usually enough to last half a year. Style changes were infrequent. A wide variety of merchandise could not be purchased because the retailer's capital was tied up in large quantities of a few lines. The "variable price system" prevailed, i.e., the cost price was written in characters on the price tag, and the salesperson endeavored to charge as much over that amount as he thought he could get. This system of pricing goods led to the practice of bargaining, or higgling, the salesperson attempting to get as much as possible for the merchandise and the customer trying to purchase at as low a price as could be negotiated. Production of manufactured products lagged behind the demand for them, which condition tended to increase the number of retailers without increasing their efficiency. Competition was centered around price; service was secondary.

Competition was strong within communities and generated much community unrest. Merchants aimed at a long profit on each sale. Customers were outwitted by retailers and their salespeople wherever possible.

Characteristics of Post-Civil War Period.—In the period following the Civil War, these conditions of retailing underwent a marked change. Rapid fluctuations in prices made buying in smaller quantities necessary, which was made possible by the advent of the traveling-salesman system of distribution. Previously merchants had gone to market twice a year and purchased in bulk; now they could make purchases from six to twelve times during the year. This cutting down of the quantity of purchases led to a reduction in the length of time that bills were allowed to run, while discounts for cash became more and more the custom. Investing less capital in each line led to carrying more lines. Thus a greater variety of merchandise was on exhibition for the benefit of the customer, although only a small stock of each line could be carried at any one time. Increasing the variety made possible a greater number of sales in proportion to the capital invested than formerly, hence it was no longer necessary nor desirable to aim at a large profit on each sale, but rather at a small profit on many sales. In other words, the turnover became one of the most important phases of merchandising, a condition which obtains today.

Rise of the Traveling Salesman. The rise of the traveling-salesman system was contemporaneous with, and partly a cause of, the rapidly changing styles of this period. With the advent of this system, it became possible to purchase frequently in small quantities and thus satisfy the desires of large numbers of people for changing fashions. The distance in point of time between production and consumption was materially shortened, permitting and causing rapid changes

in styles. An element of uncertainty now arose in retailing that previously had not existed. Guesses as to style changes have made some lines, such as ladies' shoes, a precarious undertaking for the retailer. This new hazard has no doubt served to eliminate some of those unfit to adapt themselves to the new situation, and put in their place retailers who were adapted and fitted to forecast the desires of customers. Notwithstanding this fact, much loss of value in retailing is due to obsolescence of stock, which makes sale below cost necessary.

The One-Price System. A comparatively recent development is the substitution of the "one-price system" for the variable price system. Prices are now marked in plain figures, and apply at any one time to all customers. As a consequence of the growth of this policy, bargaining, or higgling over prices, in retail stores has become infrequent, thereby giving retail selling a dignity that previously was lacking. Customers began to have confidence in stores and expressed this new attitude by "shopping," which has become a pleasure for a great many women. Buying in retail stores lost its former combative characteristic, and with the disappearance of this attribute went much of the antagonism which has formerly existed between traders and consumers.

Emphasis on Service. Price gradually became a secondary attraction and service assumed the front rank in importance. This service first took the form of more desirable physical features, such as more attractive show-cases, commodious and well-arranged show-windows, artistic and harmonious lighting systems, and invisible lighting and heating apparatus. Later, service took the form of rapid and frequent delivery systems, the sending of goods on approval, restrooms, libraries, entertainments, and lunchrooms. Very recently, service *par excellence* has come to mean intensive cultivation of the human factor—the salesperson. Personal qualities, such as courtesy, promptness, cheerfulness, honesty, tact, and enthu-

siasm are taught salespeople. Instruction further developed and now embraces a study of the merchandise, human nature, store system and method. By such means, salespersons have in many stores become more efficient distributors of merchandise, and have tended to place retailing on a higher economic and social plane. In some cases they have come to be experts, and in a few instances, competent advisers.

Growth of Co-operation. Owing to the rise of the mail order house and the subsequent introduction of the automobile, competition from the outside loomed up in most of the small cities and towns throughout the United States as a menacing factor. In the effort to stem this invasion, merchants have come to realize that only by presenting a united front, is a chance for success assured. Old-time jealousies between retailers in the same community have thus been healed or forgotten. Efforts which have had as their end a betterment of local retailing conditions have become numerous, and competition between merchants has assumed features of co-operation.

Progressive Methods. One of the most important developments resulting from this new danger of outside competition, is a widespread movement among the retailers and the associations of which they are members to learn more about their business. Old rule-of-thumb or guesswork methods of carrying on retailing have been thrown aside by the more progressive, and others less inclined to follow their example have sooner or later been forced to recognize the merit of new methods, or go out of business. By natural selection, a new type of retailer has thus been developed who is characterized by open-mindedness and a desire to change as conditions change. From such men, demands for new merchandising ideas have been issued broadcast, and in response, young men of great promise have been attracted to the merchandising business; also universities have set aside appropriations for

merchants' institutes at which retailers can assemble and be instructed in the new technique by experts.

Retailing, revolutionized in these many ways, was still to undergo further important changes. The department store, chain store, and mail order house have modified materially our distributive system. Because of their importance and the scope of their development, each will be taken up individually; for it is only in the light of the development of these new types of retailers that present-day marketing can be completely understood.

Origin of the Department Store.—The origin of the department store has been traced to different sources. It is thought by some that it was an outgrowth of the general store which handled all lines of merchandise, but not in departments. According to this view, the general store was departmentalized until it gradually assumed the organization of the present-day department store. The fact is, however, that whenever the demand for a particular commodity would have warranted the formation of a separate department in the general store a one-line or specialty store was usually established which took over a large part of the trade in that commodity. Nor was the department store the result of a movement to combine under one management the numerous specialty stores that grew out of the general store, but of a movement to develop an entirely new organization on the plan of many specialty stores under one roof and controlled by one organization. These new institutions were made possible because of the growing pressure of production on demand. Manufacturers needed a larger and more independent outlet for their goods, and so were eager to foster the growth of the department store by granting quantity discounts and similar concessions. Purchasers, likewise, had long unconsciously desired a convenient place to purchase the many commodities of daily life.

The department store is therefore the result of a natural growth, owing to a multiplicity of forces that were affecting industry after the Civil War. The tendency to shorten the distributive process, the introduction of styles, the tightening of credit, the lower mark-ups, the small stocks, all tended to cause a new form of retail competition which brought into being the department store. More economies were needed, advertising was being introduced to stimulate demand, volume of sales was emphasized, buying strength was of primary importance. These same conditions led to the development of chain stores and mail order houses.

New Ideals of Store Service.—As regards store service, department stores have obligated themselves to perform functions which a few years ago were undreamed of. They have become amusement places for women, and recreation centers for their children. Some innovations are: restrooms, with reading and writing materials; cafés; ticket offices; postal stations; telephone booths; demonstrations; musicales; movies; and the drama. In some cases, department stores have gone into the commercial banking business, and have even acted as brokers for corporation securities. Playgrounds and hospitals take care of those unable to avail themselves of these advantages elsewhere. Except in isolated instances there is no direct charge for these services, and as a consequence the financial burden of carrying on the business is increased greatly. If, however, such attractions secure "volume," they are regarded by store managers as having performed a desirable function in modern merchandising, and are justifiable. The public demands such service and apparently is willing to defray the expense by paying increased prices.

The Buying Advantage.—Perhaps the most important advantage that the department store has had over its com-

petitors lies in its buying power, an advantage which was of more than usual importance in the years following the Civil War. In the first place, during this period rapid industrial expansion widened the market and made any forecast as to the nature and extent of the demand increasingly difficult for manufacturers, especially as the number of new competitors in each industry largely increased. This fact was conducive to miscalculations in quality and quantity of goods produced, and the only large outlet for surpluses of merchandise, produced as a result of mistaken forecasts, was through the department store. Hence the buying organizations of these institutions, with ready cash at their disposal, took advantage of the manufacturer's sacrifices and made bargain sales a prominent feature of department store business. By means of this advantage, department stores have created the keenest competition for small retailers to meet, and have, in many instances, forced the latter to form co-operative buying associations.

In the second place, the large increase in the production of merchandise during the last generation, due to scientific management and better technique, had led manufacturers to strain every nerve to find adequate and permanent outlets for their increasing production. As stated in Chapter IV, wholesalers were not ready or willing to push individual lines; the more aggressive manufacturers accordingly were willing and anxious to sell direct to any retailer who had good credit and who could buy in quantities formerly disposed of to wholesalers. As a direct result of this pressure, the department store came into being and offered a ready outlet for large quantities of merchandise. The manufacturer gave the department store a discount on quantity purchases almost equivalent to the per cent of profit formerly taken by the wholesalers. With a saving that varied from 5 to 15 per cent on standard merchandise, the department store could offer

bargains even when it was not able to pick up job lots or surpluses from manufacturers who had overproduced.

The department store has therefore enjoyed a steady supply of low-priced merchandise, and by bargain sales of these goods has purchased the allegiance of the average consumer. Whether or not the department store would have come into being if rapidly increasing production had not led to the demoralization of the old channels of marketing, is a question difficult to answer. Possibly some of the other advantages of the department store yet to be mentioned would have been sufficient to bring into existence this new form of retailing. However that may be, the department store has flourished as a direct result of the new circumstances pertaining to production, and has had an advantage over the small store which the latter has found it difficult to overcome.

Specialization of Functions.—The next important phase of department store efficiency is the high degree of specialization which has been effected throughout its organization. Whereas in the general store a salesperson sold goods in many departments, in the department store a salesperson sells goods in but one department. This narrowing of the selling area gives each salesperson the opportunity to become a specialist in a single line. While salespeople in department stores have not as a rule become experts, it is no doubt true that the basis exists for such a development, and that department store managers are looking forward to the time when salespeople will be trained to make full use of this opportunity. The public will then receive a character of service which it is impossible for the general store to give, because of its lack of division of labor.

Besides the specialization in selling, there is specialization in buying. Each department has its own buyer who is permitted to become a specialist, and eventually to develop into

an expert. Market conditions have become so complicated, and sources of supply so numerous, that buyers in order to be efficient must spend all of their time in one line of work. They cannot be efficient buyers for many lines—a duty which falls on general store managers. A further advantage of having an expert buyer in each department lies in the possibility of having him instruct salespeople regarding merchandise. No one is better fitted for this important task than the buyer, and the degree of expertness of the salespeople in his department will depend largely upon the buyer's knowledge and his willingness to impart it. This expert knowledge regarding merchandise is the most recent and important service which department stores are preparing to offer the public.

The department store organization is split up into many specialized organizations. It is, in a way, a combination of specialty stores. Accounts for each department are kept separately; departments must pay for themselves; general expense, such as light, heat, and rent are prorated among departments; and the buying and selling organization for each department is a distinct unit. In the department store—to contrast it with the general store—the accounting, advertising, handling of cash, and the like, are given over to a specialized department which serves all departments. This is a good illustration of the extent to which specialization in the department store has developed, and because of this elaborate subdivision of work, the department store can in no wise be compared with the old general merchandise store. Both are supposed to sell everything, but here the resemblance ceases. Specialization has transformed the department store into a fundamentally different buying and selling organization.

Economies Resulting from Combination.—A large saving no doubt results from having many departments served by

one accounting department, one delivery department, one credit department, one advertising department, one welfare department, and so forth. In other words, doubling the number of departments would not double the advertising, accounting, or other expense. On the other hand, increasing the number of specialty stores would no doubt make necessary duplications of these overhead expenses. Because of the possibility of distributing overhead expenses over more merchandise and more departments, department stores are enabled to charge a smaller amount to each department. One department helps another. Customers are attracted by advertising to purchase goods in one department, but before they leave the store they are attracted to another department where unintended purchases are made. In such a case, the advertising charge is spread over two sales instead of one.

The department store has an advantage over the specialty store in credit and collections. It is in a better position to extend credit on a sound basis because of its opportunities of ascertaining the nature of the risk. In cases where credit should not have been extended, the loss is usually less because of the strength of the collection department. More credit can be extended because the large store has more prestige than the small one, and customers assume that a collection power exists which in fact may not. The small specialty store must more often refuse credit or suffer a larger loss from bad debts. This advantage of the department store in regard to credits and collections is nothing more or less than the power to purchase customer buying-power. It amounts to an extension of business, which in turn tends to reduce the percentage of overhead levied against each department.

Department Store Rents.—In specialty shops that sell ladies' ready-to-wear apparel, the rent expense, provided the shop is on the ground floor, is greater than that charged

against a similar department on the second floor of a department store. Yet the sales in the latter may be as large or larger than in the former, depending upon the accessibility of that department and the extent of co-operation it enjoys from other departments. Other goods such as hardware, millinery, household goods, and children's clothing are usually sold on the ground floor in specialty stores, but are invariably to be found on the second, third, or fourth floor in department stores. A ground floor rental is at least twice that of a second floor, and sometimes more; the third floor is from a third to a sixth cheaper. Some department stores train their employees to suggest the purchase of goods sold on other floors, and if such extra sales can be made a distinct advantage accrues to the department store. By means of attractive ground-floor displays, persuasive advertising, co-operation among departments, accessible elevators, and obliging floor managers, a large proportion of customers entering a store may be induced to go to other floors; and it must not be overlooked that the lower prices due to lower rents may be the decisive inducement to the possible purchaser.

There is of course another side to all this matter. To assume, as is popularly done, that the department store can distribute merchandise at a lower cost than specialty or general stores is to go beyond the evidence. In fact, the cost-to-sell of department stores is usually from 2 to 10 per cent higher than for other types of stores. As regards rent, especially, even though some saving is made because of the utilization of inexpensive upper floors, it has been found that retail rents increase with the size of the city, and department stores are found only in the larger cities. In department stores, moreover, the ratio of rent to gross sales is higher than in specialty stores in the same city, probably because of the large amount of unproductive space that is given out to service features. Of course these service features bring customers to the store, but

they evidently do not produce a volume of sales sufficient to lower the percentage of rents to goods sold, to the general average for specialty shops.

Advertising Expense.—Advertising expense for department stores is usually more than that of specialty stores. It ranges from 2 to 5 per cent of sales while for the specialty stores it ranges from a fraction of 1 per cent to 3 per cent. The department store must spend a larger per cent of its sales on advertising because: it must draw trade from a larger territory; its competitors are more widely scattered and have the advantage of a knowledge of the whims of the very consumers the department store is attempting to attract; it must have a satisfactory volume of trade, and this volume can be realized only when a partial sale of its goods is made before the customer enters the store. Its size increases the interest of its news for customers, while the fact that it picks up job lots and special purchases necessitates the using of much descriptive advertising. In conformity with store service policy, this advertising must be attractively presented. The specialty store on the other hand may often be satisfied with the "name before the public" type of advertisement.

Delivery Costs.—The delivery for all departments is performed by one department, and it might be thought that as a consequence a large saving would result. In a sense this is true. In proportion to sales, however, the delivery cost for a department store is greater than is the case for other types. As might be supposed, this is due to the larger territory covered by the department store delivery service, and also to more numerous deliveries in the same territory. Customers have come to expect department stores to deliver inconsequential articles and to perform the service promptly. For advertising purposes the most up-to-date equipment is maintained,

hence depreciation and obsolescence charges are higher than is the case with other stores.

Ratio of Salaries to Sales.—The ratio of salaries to sales is generally about the same for the department as it is for the specialty store. Although the majority of salespeople are paid less than in specialty stores, the managers receive more. This alone, perhaps, would not be sufficient to explain the high level of wages in department stores. A further cause can be found in the waste arising through miscalculation in allotting salespeople to different tasks, and also in the lack of supervision which enables inefficiency to creep in and decrease sales. Owing to the high degree of specialization, a large amount of unproductive labor must be employed to do work, part of which at least might be done by salespeople at certain periods of the day if division of labor was not carried to such an extreme. For every person selling goods in a department store, one person is working behind the scenes. In the small specialty store, some of the scenery is shifted, so to speak, by the actors before they appear on the selling stage. In the department store, a separate force must be employed to perform work other than selling.

Gratuitous Service Costs.—Gratuitous service is the cause of much of the abnormal expense of the department store. Restrooms levy rent, capital, and labor expense against the overhead. The same is true with respect to concerts, style shows, playrooms, telephone service, checking service, railroad ticket service, taxi service, and the like. With competitors enlarging the scope of service and intent upon working out further ingenious ways of catering to the public, there seems no way to reduce expense in this direction. Service features attract customers to the store, and store managers seem to content themselves with knowledge of this fact. They feel

that service must continue to expand in the directions dictated by competition and public demand, and that any reduction in cost-to-sell must come from other directions.

Inefficiencies of Department Stores.—Generally speaking, the further away the financially interested proprietor is from the actual work that is being done, the greater the inefficiency of the work. Supervision by salaried floor managers is often of a high character, but it is not imbued with that vital interest which exists in the heart of the proprietor. There is much truth in the old saying, "The hireling fleeth because he is a hireling." Soilage, leakage, spoilage, breakage, and other loss of materials and merchandise are more likely to occur where there is no direct incentive to keep them down, and where hired diligence is substituted for the diligence of ownership. Some department stores are partially eliminating this waste by giving floor managers and department heads a financial interest in the business. This is no doubt a step in the right direction. In other cases employees are given a share of savings resulting from the employment of new methods which do not cut down the volume of sales. It is difficult to forecast the extent to which such methods of providing incentives to save will cut down the leaks. It may possibly be found that present-day waste is not a necessary evil of department store organization.

Many sales are lost because of low-grade salesmanship. As already indicated, the general run of department store salespeople get lower wages than those in specialty stores. The wages paid seem to reflect in most cases the value of the labor service purchased by the department store. The low-priced salesperson is usually a machine, an automaton who says, "Something?" and takes the money. The customer is given no individual service, and is often antagonized by some unintentionally senseless remark of the salesperson. The

specialty store prides itself on its ability to handle customers intelligently, and its efforts do not present the appearance of machine-like activity. Customers are addressed by name and their likes and dislikes remembered and catered to. They receive a genuine personal attention which may help to offset many of the gratuitously lavish services provided by the department store.

It is probable that this defect in department store organization is not fundamental and can be at least partially corrected. It has existed protractedly because department store managers have thought that the goods could be largely sold by advertising before the customer came into the store. Hence it was felt that a lower grade of salesperson could display the goods than would otherwise be the case. Lavish window displays, ingenious sales plans, gratuitous service, unusually prompt deliveries, and the geographic location of the store were also supposed to attract the customer, and to offset these expenses a saving had to be made in the sales force. Gradually it is becoming more evident to department store managers that all of these remarkable and costly incentives to the customer are wasted if the girl behind the counter antagonizes or exasperates the customer. If the wrong article is sold, or claims are made which cannot be substantiated, the store has a dissatisfied customer; and all of the extravagant advertising, show windows, and restrooms will avail nothing.

Educational Campaigns.—It is being realized, therefore, that high-grade salespeople are necessary to a department store as well as customer-satisfying forms of physical service. In line with this realization, department stores are making extensive plans to educate their sales force to serve customers adequately. This is no doubt a cheaper and better method of getting a desirable sales force than that of buying an efficient one ready-made. In the first place, the latter can

only rarely be found, and in the second place, the store can give the salespeople the training especially fitted to meet its peculiar demands. No doubt much money must be spent in this direction if the department store is to keep the lead that it has secured. This does not necessarily mean a higher overhead expense in any department or in the store as a whole. The probability is that the increased sales, resulting from greater personal efficiency, will more than absorb the expense of training salespeople.

It may be contended that as personal efficiency increases, salaries must increase, and thus the overhead must eventually feel the effects of such a policy. The answer to this is found in the attitude which customers hold toward salespeople who are looked upon as experts. Fewer questions are asked of such salespersons, less time is consumed in the sale, more sales are made in a given period of time; hence the cost per sale does not rise, and may more probably decrease. In other words, neither the customer nor the proprietor pays for the increase in salaries due to greater efficiency; the increase is paid out of the profit made on the excess of goods sold by the efficient salesman over the amount sold by the inefficient.

CHAPTER VI

THE CHAIN STORE

Origin and Development.—The chain store grew out of the disorganized economic conditions following the Civil War. Manufacturers were becoming dissatisfied because their increased production was not receiving a ready outlet through wholesalers. The middleman began to view advertising as a dangerous substitute for direct solicitation and accordingly took over some of the functions of the manufacturer by creating private brands. Chain stores grew up in response to the demand for them as evidenced by the manufacturer's willingness to give quantity discounts to any organization of retailers able to buy in bulk. In some cases, where chain store organizations did not grow in response to the need for them, they were created by the manufacturer; hence the latter became both wholesaler and retailer. In other cases, where the manufacturer succeeded in prevailing upon the old-line dealer to purchase direct, the wholesaler organized chain stores to form an outlet for his own brands. Or, as was sometimes the case, the manufacturer's chain store put the old-line dealers out of business, or diminished their importance, thereby dominating the market and forcing the wholesaler to form a chain of his own.

Moreover, this growing tendency of the manufacturer to give quantity discounts to retailers, and at the same time to create consumer-demand by means of advertising, has developed chain stores, other than manufacturers' and wholesalers' chains. In the first place, some retailers owning only one store have seen the economies resulting from quantity

purchases, and have added from time to time another store to their control. Usually this has been accomplished by the purchase of the business of a retiring retailer, or that of a "dead" storekeeper. These branch stores have sometimes been made independent units, while in other instances they have been operated in conjunction with the orginal store.

Some of the largest retail chains in the United States have been started by corporations especially designed to acquire, create, or combine retail stores. In other cases, the initiative in forming chains has come from the retailers themselves who have formed joint-stock companies, each retailer taking out a certain amount of stock in the new company and in return transferring his store to the new organization. In all cases the object has been to secure greater profits as a result of increased buying power, as well as to secure the advantages that come from combination of control.

Buying Advantages.—The wholesaler considers the chain store an especially valuable customer because of its ability to buy in large quantities, because of its financial strength, and because of the stabilizing effect it has on his outlet. In recognition of these desirable attributes the chain store is given by the wholesaler important concessions, one of the most common of which is "future dating"—dating the bill several weeks later than the date on which the delivery of the goods is made. This unusual extension of credit gives the chain store a material advantage over the independent store, which can get the discount only by making payment in ten, fifteen, or thirty days. By a quick turnover, such chain stores are very often able to sell the goods to the customer before they are required to pay their bills. Borrowing money at the bank in such cases is made unnecessary, and a saving in interest charges results. In many cases the smaller retailer's credit is such that he cannot borrow readily at the bank and there-

fore cannot take up his discounts. Under such circumstances, the small dealer is at a still greater disadvantage as compared with his chain store competitor.

Being the wholesaler's most valued customer, the chain store is given the benefit of secret discounts, inside prices, or confidential market information. Further, the chain store can employ a staff of buyers, who, by virtue of the preferential position of the company they represent, can locate bargains and new goods, and can make connections with sources of supply which are closed to the many dealers who are unable to seek them out and who could not profit by the information if they had it. Wider and more intimate market information is a prime advantage of the chain store organization.

When the chain store is not satisfied with such advantages as are to be had from purchasing through wholesalers, it goes over the heads of these middlemen and buys direct from the manufacturers. By so doing it is possible to absorb the wholesalers' profits, and to set a smaller retail price for merchandise and yet make a greater total net profit than the small independent store. Because of the possibilities of wide and more unobstructed distribution, if the chain is a large one with stores well distributed over the country, it may be a more desirable customer than the wholesaler, and because of this greater ability to market manufacturers' products, it may receive even lower prices than those quoted to wholesalers. As chain stores grow in size, they eventually reach this preferential position, and because of the buying advantage resulting therefrom they have come to be recognized as the most serious competitors of the independent store.

Selling Advantages.—In communities where competition is strong, the chain can lower prices in order to dispose of a competitor, and recoup itself for the loss incurred by raising prices in other communities where pressure from competitors

is not so evident. After competitors have been disposed of and the field is left to the chain, high prices can be introduced again without fear of loss of sales. Especially is such a policy workable where the community is isolated or not within easy reach of a large city. This ability to continue cutting prices indefinitely, gives the chain store a weapon which is perhaps the most dangerous in its possession. That many chains have not seen fit to exercise it, is no assurance that they may not.

The chain store is better able to cut prices than the independent dealer for the reason that the former has access to, or is the manufacturer of, private brands upon which it can fall back. On the other hand, should the chain purchase the nationally advertised goods traded in by the small retailer and sell them below their advertised price, the independent dealer would be unable to find other goods to fill their place and would be forced to discontinue business or to sell at higher prices. When such a policy is followed, the public gets the idea that the chain can sell more cheaply than its smaller competitors; or it assumes that the smaller retailers are attempting to secure too long a profit. In either case, the chain secures the good-will lost by the independent store, and increases its sales on other lines. The chain store has another interest in price-cutting. With the small retailer's goods discredited because of their sale in the chain store at a cut price, the chain can exploit its private brands. Many manufacturers have tried to prevent chains from cutting prices on their nationally advertised goods, but with so many contacts with the market afforded the chain, the manufacturer has found it difficult to enforce his ideas on the retail chain. The latter can get the goods, and with price maintenance declared illegal, the price-cutting will continue.

Advantages of Specialization.—The work of the chain store has been divided and subdivided until the most important

functions are performed by specialists who ultimately develop into experts in their particular line. In the case of the United Cigar Stores Company, real estate is handled by a subsidiary company. This work consists of the purchasing and renting of sites, the maintenance and betterment of property, as well as its subletting. Another company plans and executes window displays for all of the stores. Two other companies have charge of the agency and the premium phase of the business.

The small dealer, on the other hand, is usually inexperienced in his dealings with landlords and cannot drive such bargains as can the sophisticated chain organization. He selects mediocre locations, whereas, if he could have afforded an expert analysis of relative sites, he might have made other choices. The chain stores have made it a policy to investigate trade tendencies in the towns in which they plan to settle. They know the per capita consumption of their products and the number of people who pass any particular site the purchase of which is being contemplated. By such scientific analyses, guesswork has been largely eliminated and profits are assured wherever a location is determined upon.

The management of chains is usually of a higher character than that of the small independent store. This in many cases is necessarily so because the small store proprietor does not have sufficient trade to warrant division of labor. He is a jack-of-all-work in the store, selling goods on the floor, buying, writing advertising, keeping books, doing janitor work, and so forth. It is obvious that under such circumstances expertness in any particular line is impossible. The larger aspects of management become, for him, subordinated to everyday detail; his mind loses its freedom and ability to deal with large problems of changing trade conditions. From such conditions as these only mediocre service develops. Then, perhaps, an opening presents itself for a new kind of retailing

unit which is able to preserve the advantages of the small store and yet combine with them the efficiencies and advantages which come with large-scale operations.

Scientific Business Control.—The chain is controlled and direction is given to its energies by means of comprehensive and accurate accounting systems, which bring to light unprofitable commodities, leaks, and wastes, and determine accurate costs. The sales during different periods in any store and in all of the stores are readily accessible for comparative purposes, so that an incentive is given to each store to beat not only its own record but that of the other stores in the chain. By this method one of the greatest sources of inefficiency and decay in combinations is eliminated, viz., the weakening of competition. Each store is controlled by its own accounts, which are sent to the central office; and competition between the different stores is constantly active, because each store has access to the business statistics of every other store.

The business thus takes on the aspects of a game. Those who win their quotas are given bonuses or premiums. Encouragement to managers and employees is given out from time to time by means of house organs which give the status of each unit in the system. The highest efficiency is stimulated in order to increase the sales each year, and the handicap of having a hired absentee manager is thereby partially overcome. With a prize for the winners of the game, and accurate standards of achievement developed by accounting systems, a stimulus and control over each store is secured which means a minimum of loss with a maximum of sales.

Low Cost-to-Sell.—As compared with the independent store, the chain for several reasons has a low selling expense. In the first place, these stores can interchange any merchandise which is not moving. If one store has become stocked, for

example, with a line of shoes which is not popular in that particular locality, it can be exchanged for other goods or credit with some other store in which an outlet for the shoes may exist. Especially is this true where chains cover a large territory. It has often been found that what is not selling in Iowa will sell readily in Wyoming, and vice versa. Such an interchange of merchandise prevents mark-down sales, which are a loss to the independent merchant who, if bad judgment has been used in purchasing, has no other recourse than sales.

In the second place, many chain stores make no deliveries. Such a policy saves from 2 to 5 per cent on sales. When deliveries are made, there are usually requirements as to the size of the purchase, or an extra charge is imposed. As already indicated, the department store has multiplied indefinitely its delivery service, with a corresponding increase of the cost-to-sell. Independent small stores have tended to follow the lead of the department store. The chains, however, seem to have taken a definite stand against increasing expense through expanding this service, and during a period of rising prices, this obvious attempt on the part of chain stores to economize has attracted a great many customers whose incomes have not been keeping pace with the upward trend of prices. On the other hand, no doubt sales have been lost because certain customers do not want to take their purchases with them and are willing to pay the store for this service.

In the third place, standardization and the handling of the accounting and advertising functions by experts produce the maximum utility with the minimum cost. The same is true in granting credit and making collections. More care is exercised in extending credit, hence losses from this source are less than in the independent store, which is often eager to get more customers regardless of their ability or willing-

ness to pay. The chain store relies on its lower prices to attract customers, and refuses to extend credit except to purchasers having thoroughly established ratings. Likewise, in collections, the chain has a great advantage over the local independent store. The proprietor of the latter is well-known in the community and dislikes bringing too strong pressure to bear on delinquents. Such a leniency causes loss, particularly as losses generally increase in direct proportion to the time bills are allowed to run. The chain, on the other hand, is run by the manager from headquarters, and pressure of a determined or legal character is more imminent because no sentimental ties exist; consequently, customers will almost always pay chain store accounts before those of independents. A large number of chains sell for cash, thus eliminating all possibilities of loss through bad debts, which average, perhaps, ¼ to ½ per cent in independent stores.

The cost-to-sell is affected materially by the rapid turnovers which are characteristic of chains. It has been stated[1] that drug chains turn their stock from 10 to 12 times, as against 3 or 4 for independents; cigar and tobacco chains have a turnover ranging from 15 to 50, while for the independent the average is from 6 to 12; grocery chains have as high a turnover as 40 with an average of perhaps 25, whereas 12 would be considered about the average for independents. Such rapid turnovers have been accomplished by carrying small stocks and replenishing from week to week from a central warehouse. This policy has resulted in a smaller amount of capital tied up in each store than has been the case with independents, and the resulting capital charges have been less. This is true because the depreciation and storage charges on stored goods are less than on goods that are put on the shelves or counters of the store.

[1] *Printers' Ink*, December 17, 1914.

Chief Weakness of Chain Stores.—The substitution of a hired manager for the owner constitutes the most important defect in the chain store organization. The hired manager does not have the initiative, the incentive, or the same degree of interest in making the business a success, as does the owner of the independent store. He does not maintain the same close personal relationship with the employees as the proprietor. Loyalty to the employer, one of the most valuable assets of the small store, is generally lacking among salespeople in chain stores; the result being a half-hearted interest in the daily work and no incentive to better selling methods.

With hired management controlling the local business, system is designed to take the place of managerial initiative—a substitution which tends to deter men of large imagination from entering the field, especially as opportunities for advancement are limited by a constant tendency to cut down expense and centralize power and control. Consequently managers have to be chosen from the less efficient, who are apt to overlook opportunities to save expense, increase sales, and serve customers; hence it is a question whether the advantages that centralization gains on one hand, may not, on the other, be lost because of the lack of ability or the stifled initiative on the part of its store managers.

Heretofore the average of salaries paid to chain store employees was perhaps no more than those paid by the independent dealer—the large salaries of headquarters executives and supervisors being offset by the low salaries paid to managers and salespeople. With increasing competition from the rejuvenated independent, it is fair to suppose that better managers will have to be secured, which will mean higher salaries to managers. Routine and system are in fact, gradually being subordinated to strength in management, and with competition getting more and more on this basis, the independent is placed at less disadvantage.

Community Antagonism.—Another disadvantage that the chain stores have had to cope with, especially in the smaller towns, is the antagonistic attitude of the members of the community. The chain store has been considered an outsider which takes money out of town. To patronize it was to strike at local prosperity and help to satisfy the greed of "capitalists." In the beginning this antagonism no doubt originated from the merchants, but later on found its exponents in their friends and sympathizers. Those who traded at the chain store were considered enemies of the community, and business and social pressure were brought to bear on them for the purpose of inducing them to discontinue their patronage. The townsman has always been suspicious of the outsider, and this suspicion grew into antagonism when the outsider appeared as a competitor to familiar town interests.

This handicap is gradually being overcome by the character of the service given, and by reason of lower prices. Wherever the manager has been a good "mixer" and has been sympathetic with community projects, contributing store funds whenever other stores thought this policy desirable for the development of local prosperity, a change of feeling toward the outsider has appeared. This acknowledgment of local interests, linked up with square dealing and lower prices, has been the means of building up an increasingly permanent clientele.

Strangely enough, the energetic competition of the chains has served to increase the efficiency of some of the old independent competitors, and with a more progressive front presented to the customer from out of town, a reputation for being a live business town has come to some towns which a few years ago were losing much of their trade to near-by cities or mail order houses. Communities are therefore beginning to forget their antagonism toward chain stores, because they are learning to copy their strong points in their struggle

for existence. The chains are benefiting by the decrease of antagonism toward them; on the other hand, they are finding stiff competition where formerly there was disgruntled indifference. The increase of trade in such towns, owing to the heightened activity of the merchants and the inroads of newly progressive independents, will not tell seriously on the chains. When, however, the new trade becomes more completely absorbed, there will begin a competition between the independents and the chain stores that will determine which is best fitted to survive, or whether both can exist together in peace, harmony, and efficiency.

Future of the Chains.—As long as favorable conditions for the growth of chain stores continue, they can be expected to grow in numbers. As already indicated, the chief stimulus to their growth has been the dissatisfaction of manufacturers with the orthodox system of distribution, which has not afforded as rapid and wide an outlet for the increased production as was desired. That this situation will continue for some time to come seems quite evident. Apparently, relief can come to the manufacturer only by organizing a chain of stores of his own, or stimulating the creation of a store chain by others through the offering of quantity discounts.

Along with this tendency to form chain store systems, is a parallel tendency for chain store systems to combine or consolidate. This is not merely a coincidence but a case of cause and effect. The greater the number of chain store systems, the greater is the outlet for manufacturers' goods. The larger this outlet, i.e., the greater the competition of chain stores to purchase in quantity, the less desirable are the quantity discounts which are offered by manufacturers. In order, then, to get special prices, quantities larger than ordinary must be purchased. In other words, the quantity of merchandise that must be purchased if an extraordinary

advantage is to be secured continually grows larger. In order to be able to purchase larger quantities, larger organizations must be formed; hence the reason for the consolidation of existing chain store systems becomes clear.

An illustration of this tendency was the formation, in 1912, of the F. W. Woolworth Company, to take over the 5 and 10-cent business owned and operated by F. W. Woolworth and Company, 318 stores; S. H. Knox and Company, 112 stores; F. M. Kirby and Company, 96 stores; E. P. Charlton and Company, 53 stores; C. S. Woolworth, 15 stores; and W. H. Moore, 2 stores. Another example was the formation of the United Cigar Stores Company, which secured control of the Riker-Hegeman Company in 1913. Many other consolidations have taken place or are being contemplated. It is very probable, for some time at least, that large combinations will be found in the field of distribution just as they have come to occupy certain portions of the field of production.

The mammoth purchasing power of such chain combinations is worthy of an illustration. The manufacturer of a popular finger-ring, which retailed at 50 cents, was approached by the buyer of a 5 and 10-cent store chain who desired to make a large purchase of rings, so that they could be retailed at 10 cents. The manufacturer ridiculed the idea and said that he was selling plenty as it was—"more than 450 dozen a year." The buyer offered to take 60,000 dozen during the year if they could be sold wholesale to him at a price which would enable his system to sell them at 10 cents apiece and still make a profit. This stupendous quantity was produced by the manufacturer, who had thought that 450 dozen was a large quantity, and these gold-filled rings were retailed in the system's stores at one-fifth of their former retail price. In some cases, chains have purchased the entire output of furniture factories, and of other factories as well, thereby

securing merchandise at prices formerly considered impossible. With a larger output usually goes a lower cost per unit.

Future of the Independent Store.—The advent of the chain store was witnessed by thousands of failures among the small independent retailers. These failures were, however, largely confined to retailers who bemoaned the new competition and did not have the imagination to learn from the chains. The wideawake and progressive retailer need not go to the wall because of the new competition. The buying advantage of the chains can be offset to a large extent by the formation, among retailers, of buying syndicates. Many of the economies of the chains, due to large-scale operations, are not available to the small independent, yet the latter has certain advantages, such as community loyalty, personal supervision of employees, personal contact with customers, and a direct interest in the business, which it is difficult for the chain to secure.

One of the most important advantages of the chain, viz., a scientific accounting system, is available for the small retailer. In many instances the retailers are beginning to see the significance of this control. The rapid turnover, one of the secrets of chain store success, is too often only hazily realized by the independent. Adequate and well-written advertising, as well as well-decorated windows, are features which independents are rapidly adopting. In short, there are only a few advantages peculiar to the chain store, and it is doubtful if even the extensive exploitation of these advantages could bring about the downfall of the small independent store. The latter has its peculiar advantages which the chain is with difficulty striving to acquire. The probabilities are that independent retailers, when banded together in trade associations and instructed by experts in the best methods of advertising and selling, will in the future become most worthy opponents of the chain in the field of retail distribution.

CHAPTER VII

THE MAIL ORDER HOUSE

Retailer's Attitude toward New Conditions.—The mail order, or catalogue, house has grown out of conditions which existed a decade after the close of the Civil War. From the beginning of the nineteenth century up to that time the demand for goods had been increasingly greater than the supply, so naturally more attention had been directed toward the problem of producing goods, rather than that of satisfactorily distributing them. Small-town merchants had grown up in this enervating seller's market, i.e., a market where the advantage is with the seller whether he is the manufacturer or the retailer, and had never taken the trouble to study so much what the local market demanded as what the wholesaler had to offer. The consumer was more or less at the mercy of the merchant and took what the latter had on his shelves, instead of demanding specific brands or styles. The merchant's position was secure, and security bred contempt for changing conditions.

In the early seventies, as production began to catch up with demand, new conditions called for new marketing methods, from the manufacturer to the retailer. As indicated in the preceding chapters, manufacturers and wholesalers were beginning to adjust themselves to the new order. The retailer was more sluggish in his response. This was natural, since he was further away from the source of change—often isolated in remote country communities, and unconscious of the change from a seller's to a buyer's market. Accustomed to give customers what he had rather than to supply what

they asked for, the retailer continued his former policy; and consequently communities gradually grew away from their retailers and learned to look elsewhere for new articles or specific brands of old articles, which they were learning to distinguish and call by name.

Increased Facility of Communication.—When most communities were out of touch with the sources of supply of merchandise, the existence of mail order houses was out of the question. Even if the small-town merchant had not adjusted himself to changing conditions, he would not have been rudely awakened by the rise of mail order competition had not certain new means of communication developed simultaneously. These new methods of communication permitted the mail order house to reach thousands of isolated communities, and therefore may be considered as a condition of the growth of mail order houses rather than as a cause. The cause of the rise of the mail order house was the changing market equilibrium described in the previous section.

Perhaps the development of greatest consequence in the field of communication was the recognition of advertising as an important marketing device. Not only was this realized at about this time, but advertising possibilities were being increased by remarkable developments in photography, lithographing, typography, and the production of print-paper. Devoid of these improvements, the mail order house would be without its most essential weapon of attack—the catalogue. Given the catalogue, the mail order house was ready to perform one of the most important functions of the middleman, viz., the transmission of ideas regarding merchandise. A connecting link was now formed between the isolated farm house and the new source of supply.

Other conditions of communication were necessary before the mail order house could function efficiently. The catalogue

was of little use unless it could be brought to the consumer's home; this accomplished, prompt delivery of orders was of prime importance. Prompt delivery was dependent upon freight, express, and mail service. With the wide extension of railways in the seventies and eighties, followed by a reduction in freight rates; with the expansion of the postal service, culminating in rural free delivery and cheap postage; with the growing facilities of express companies, and finally the establishment of the parcels post system, has gone a corresponding growth of mail order business. Every means of getting in touch with consumers has been put to advantageous use by this new type of retailer, and no doubt the mail order house has helped to stimulate the demand for better means of communication.

Character of American Communities.—Another element necessary for the growth of the mail order house is found in the character of the average American community. While in Europe a community has usually meant a group of town and country people with common interests, the community in this country has come to be regarded as not inclusive of the country surrounding the town. This is partly owing to the fact that country people have not felt that their interests were identical with those of the town people and that a "loyalty" was due to the town about which their farms were grouped. Very often a distinct antagonism between town and country has been noticeable. Hence country people have experienced no compunction in buying from mail order houses when the opportunity was afforded.

This aloofness of our country people has been caused by natural conditions. Farms have been large and opportunities for social intercourse between town and country people have been few. Not meeting often on a common ground, or working together towards a common end, these

two groups have grown apart, and reciprocally ignorant, each has become suspicious of the other. Only too often this delicate situation has been intensified by the rough service accorded country people by retailers and their salespeople. In a survey made of the economic and social conditions in a township in the state of Iowa, it was found that 30 per cent of the people traded almost exclusively with mail order houses, and that an equal per cent purchased part of their goods from this source. When asked why they did not purchase in their neighboring town, several reasons were given, but among the most often repeated was this: "The town people think that they are better than we are."

No doubt the farmer is likewise somewhat to blame for the chasm between country and town. He has not taken part in town activities and has driven in only because of a special need. Even then, he has often been surly and critical of merchandise, and has objected to prices. He has let his bills run for periods of not only months but years. He has allowed himself to become an absentee member of the community until he has been considered an outsider with different interests. Both town and country have been to blame for the lack of harmony; but both have been pioneers building a nation, and too busy to notice the character of its structure. At any rate, this lack of a community of interests was favorable ground for the introduction of the mail order business, which was welcomed by many thousands of country people as a means of emancipating them from the tyranny of the town. Hence the mail order house has aggravated the former situation and made the farmer more independent and conscious of his rights and power. Where he has become independent of the town retailer he has not been backward in saying so.

Character of Mail Order Service.—From what has been said, it is to be presumed that the mail order house is supply-

ing a service, or a combination of services, different from that offered by the local merchant. These services, or distinguishing advantages, constitute a new chapter in the history of retailing, and form significant points of departure from the system of retail distribution which existed from the time of the settlement of this country. They are strictly American in character, and are therefore peculiarly adapted to new world conditions. As conditions change, a gradual modification of these services is going on, but for the last generation they have characterized a new system of retailing which has been gaining strength with each decade.

1. **Wider Variety of Merchandise.**—In the first place, the mail order house affords each customer a scope of selection which is far beyond that which the country merchant can offer. The latter, in his general store, has to keep a little of everything, but he cannot afford to tie up his capital in a large variety of any one line. The same is true to a more limited degree in the small-town one-line store. In the case of shoes, for example, there would be little inclination on the part of the proprietor to depart very far from staple lines, although he might be convinced that there would be some demand for other varieties. In order to keep in stock a satisfactory variety of sizes in the more staple styles, the proprietor's private capital is generally completely exploited, as is also his command over credit. Those customers who desire to pick from a large stock are therefore usually disappointed. Very often the merchant realizes that this dissatisfaction exists, but he feels that he cannot lessen it.

This limitation of the local store has not diverted country trade to mail order houses so much as town trade. In the towns even the wives of merchants handling ladies' ready-to-wear apparel and other lines have sent to mail order houses for their goods. It has never taken long for a lack of confi-

dence in the local store's merchandise to spread, until a large percentage of town trade has gone to mail order houses. In such cases, the town merchant has been discredited by the exercise of a powerful human instinct—the instinct of imitation.

If townspeople merely sent out of town for goods which are not on display in local stores, a comparatively small amount of damage to town trade would result. Once embarked in sending mail orders, however, the housewife has enlarged her order to include many articles which formerly she had no intention of buying elsewhere than in the town stores. Gradually the habit has developed, until in some towns large numbers have come to make a practice of sending away for merchandise that is to be found on the shelves of stores within three blocks of their homes. After such orders have been sent, the housewife feels that the merchants know what she has done, and she is even more loath to go to the local store for articles which she never intended at first to buy from mail order houses. Thus the situation is aggravated, and distrust or open antagonism is developed among citizens of the town.

2. **Low Prices—Loss Leaders.**—The mail order houses have followed a consistent policy of creating the impression that their prices are lower than the prices asked for the same goods in local shops. For many years the mail order catalogue has listed its prices opposite "store prices" (often fictitious), thereby subtly prejudicing the consumer against goods distributed through stores. Recently, the Federal Trade Commission has issued an order against this practice on the grounds of "unfair competition," and it would seem that the mail order house has lost a distinct advantage with the passing of the privilege of price comparison.

The impression of universally low prices has also been

successfully instilled in consumers' minds by the liberal use of loss leaders. Well-known brands, like Winchester (rifle), Ingersoll (watch), Big Ben (clock), and Victor (top), have been prominently displayed in mail order catalogues at prices below the widely advertised prices fixed by the manufacturer. Customers have reasoned that if these well-known articles could be sold at lower prices than are customary in stores, other less known goods could likewise be sold below store prices. Unfortunately for the customer, his assumption in this respect has quite frequently been false; the higher prices at which he has purchased obscure brands have offset what he has saved on the well-known loss leaders.

The use of loss leaders has not been an advantage of the mail order houses exclusively, but they have made use of this selling device so thoroughly and systematically that it has come to be considered a part of mail order policy. The larger retail stores, for the most part, have used loss leaders as consistently as mail order houses, but the small store (the mail order house's weakest competitor) has been negligent in meeting the prices of outside competition. The latter class of dealers has apparently thought it was good merchandising to attempt to procure, so far as possible, a uniform percentage of gross profit. Their failure to accomplish this end indicates that good merchandising requires first of all the meeting of competition, and, in the last analysis, this means the supplying of what the customer wants, at a price, time, and place which are most convenient for him.

Low prices may be more than a pretence. They have in many instances been attained because of certain economic advantages peculiar to mail order organizations. In some cases the output of whole factories has been purchased, while in others the factory itself has been brought into the mail order organization. All of the advantages of large-scale distribution, and even of integration, have tended to lower the

per unit distribution cost. Yet these advantages are not absolute; they may be more than offset by certain existing disadvantages which have always begun to operate as soon as competing stores have realized their own elements of strength.

3. **"Different Goods."**—A third characteristic of the mail order house which gives it a preferred position in the minds of numerous country people, is its ability to offer goods different from those found in the average country general store or small-town specialty shop. It seems to be a fundamental trait of human beings to desire that which will distinguish them, give them individuality, or set them apart from their fellow-men. General stores have adhered to staple lines for the most part, and have therefore ignored rather than played up to this human instinct. It remained for the mail order house to satisfy this underlying demand and liberate large numbers of people from the hampering uniformity of local conditions.

Irrespective of how much this liberation was desired, it could not be realized until certain economic conditions had been changed. Since the early days, the farmer had been dependent for credit upon the country store. Bills were paid twice a year, or even once a year, depending on how crops were sold or live stock marketed. The farmer could not purchase from mail order houses because he did not have the cash, and he had no established credit with them. He was therefore forced by conditions to purchase all of his goods through local channels, even though he might prefer goods from other sources. With rising prices of farm produce, however, and greater economy of production, owing to farm machinery, the farmer's standard of living began to rise and yearly savings became possible. These savings, together with the rise in land values, gave the farmer ready cash or credit

and this, in turn, had the tendency quickly to emancipate him from the necessity of purchasing his goods from dealers in his own community.

Not only was there an underlying demand for different goods; there was also a demand for an opportunity to shop—to appraise competing values. City people were enabled to gratify this desire by reason of the large stores which were established in large centers of population. This advantage, however, was not to be found elsewhere. Large portions of the country's population were unable to see and hear about the modern appliances and changes in styles which have come to dominate people's minds during the last generation. The mail order catalogue opened a closed door for millions of people and gratified their desire to shop. This was the best substitute for city shopping which had heretofore been devised. It was instantly successful. The justification for its initiation and continuation rested on the ground of satisfying a demand. Its success will last only so long as it continues to perform this function.

4. Definite Merchandise.—A fourth advantage of the mail order house has been its policy of creating definite values. This has been accomplished by accurate descriptions. Whereas the smaller stores have been content with giving superlatives and generalities which confused rather than created values, the mail order houses have spent much time and money in working out the values of their goods and presenting these facts in a clear-cut, intelligible manner. They have apparently realized that value has not been created until it has been created in the minds of the ultimate consumers. The poor salesmanship of many stores stands out quite noticeably when compared with the descriptive selling appeals of the catalogues.

How mail order houses create definite values by means

of accurate description is illustrated by the following advertisement of an incubator:[1]

> Imperial Incubators have cases of select California redwood which will not warp. The walls are double and thoroughly insulated. Cases are put together in a special way which prevents joints from opening up under damp conditions or long usage, a very important point. Doors are double and snug fitting. Glass windows in doors permit inspection of entire egg chamber. Egg trays very strongly made and will not sag. The sizes over 120-egg have two trays. Chicks drop down into warm nursery under tray when hatched. The regulator is entirely automatic and controls heat perfectly. The thermostat which operates the regulator is the very latest expanding water type. High-grade thermometer and lamp with each machine. Steel heater parts are enclosed in special chambers within incubator case, conserving the heat. Patent egg-turning rack furnished at small extra cost. Turning rack reduces capacity of tray about one third. Imperial Incubators furnished with either hot air or hot water system. Satisfaction guaranteed.

Hardly comparable with such a definite description of value, is the advertisement which appeared in a country newspaper not long ago:

> Now is the time to think about incubators. Come in and see our complete line. John Smith and Company.

A certain farmer confessed that the reading of this advertisement stimulated him to think about incubators, but since there was nothing to think about in the advertisement, he sought the mail order catalogue where he read the description just referred to. Not being able to take the time to examine the incubator in the town store, he ordered one from the mail

[1] Sears, Roebuck and Company, catalogue, 1918.

order house. Many similar cases could be cited to show how defective advertising and salesmanship in stores have been the means of turning business to mail order houses.

Appeal to Imagination. Mail order salesmanship has not been content merely with describing merchandise, it has appealed to the imagination of the customer and has pictured the merchandise being used by him. The advertisement of a certain mattress illustrates the point: [2]

> This mattress is smooth, even, springy, as soft and buoyant as a feather pillow. Made with a smooth, even surface, no tufts of any kind being used, it fits itself snugly to every curve and line of the body. You do not rest upon the "high points" as with the ordinary mattress. This provides absolute relaxation for every muscle—producing the most restful, refreshing sleep.

On asking to look at mattresses in several stores, the writer was told that they were: "good values," "the best made," "the best sellers," "guaranteed to give satisfaction," "great stuff," and "well-made." Glittering generalities prevailed, and any attempt to create a conviction of value in the mind of the customer was lacking. The glib use of worn-out words and expressions took the place of specific, tangible, valuable information, which alone makes intelligent buying possible. In a very ineffective manner, an attempt was being made to sell mattresses, while the mail order house seemed to realize that the mattress was only a means to an end, and that end was "restful, refreshing sleep." In other words, the selling of a certain kind of sleep was the prime object of the mail order salesmanship, and because of this visualization of the customer's interest, it was the more successful of the two methods.

It may be said that the mail order houses are forced to

[2] Sears, Roebuck and Company, catalogue, 1918.

use minute and accurate descriptions of their merchandise because they cannot show it, while such a method is unnecessary for the average store, since the customer can handle the goods and ascertain their value to his own satisfaction. The fact remains that people only see that which they are educated to see, and unless value is created in the mind of the customer, it very often does not exist at all. It is probable that in their minds many customers see and recognize the value of some mail order merchandise more clearly than with their eyes they would see the form and value of similar merchandise if it were placed in their hands in some store. In other words, the mail order goods often "look better" to the customer than do the goods being sold in stores, when, in reality, the difference in intrinsic value between them is negligible.

5. **Service.**—A fifth advantage of the mail order house is found in its ability to give certain kinds of service which are demanded by an increasing number of people, and which have been overlooked by many stores. One of these is courteous treatment. In thousands of stores customers are never thanked for the business which they bring. They are never made to feel that their trade is appreciated. They are treated with gruff, overbearing, ungraciousness which gradually lessens their good-will toward the store. These dissatisfied customers experiment with mail order buying and generally find what they have been craving—kind, courteous, sympathetic, and human treatment. The demand for this kind of service may never have been conscious, but it has been a demand nevertheless; and its satisfaction binds the possessor of the demand to the source of this satisfaction.

A mail order letter usually starts out with: "Your valued order of the 10th received." Then it goes on exhibiting appreciation of the order; explains that above all things the mail order house desires to give satisfaction; gives special

information of value to the user of the article; and finally, definitely thanks the customer for the order and thereby keeps the trade channel open for further business. The customer's interest is kept paramount, and if there is any controversy, the customer is usually permitted the benefit of the doubt. In fact, the largest mail order house in the country allows all customers' claims under a certain amount without investigating their validity, as it has been found by experience that most customers are honest; where the opposite is true, what would be saved is more than offset by the expense of investigation.

Cheerfulness, Tact, Enthusiasm. Besides courtesy, the mail order houses inject cheerfulness, tact, enthusiasm, and other positive qualities into their correspondence. The customer feels that he is dealing with somebody, and not merely with something. The mention of his name in the letter individualizes him, and flatters him in a subtle manner. How often in stores is he merely one of many customers to be grudgingly "waited on"? How often does he wait while salespeople carry on their gossip and tell their little stories? How often must he stand around, growing impatient, while the proprietor or his salespeople finish their tasks of sorting goods, cleaning or inventorying stock? After seeing the service, or lack of service, in many of our stores, it is little wonder that many people prefer to send by mail for goods, even though their coming will be delayed by the exigencies of express or freight service. They at least know that any delay in arrival will be to causes beyond the control of their favorite mail order house. They figure on a lapse of time before arrival, and therefore are not disappointed because they cannot get the goods immediately.

Notwithstanding delays, misunderstandings, and a great deal of inconvenience incident to ordering by mail, many people feel that these are small matters compared with dis-

courteous treatment in stores. When the customer is offended by an organization, he will go to almost any extremes to cease trading with it and to buy from one that pays him reasonable deference. Many disagreeable features may characterize the newly formed trade relations but the customer will overlook these if they do not infringe upon his self-respect. Many stores are realizing this weak spot in their organization, and are instructing their salesmen how to handle the customer so as to give him satisfactory service.

6. Guaranty.—A sixth advantage of the mail order house is one not merely of facilitating the sale of goods, but of keeping them sold. The prominently displayed guaranty of one mail order house reads as follows: "We guarantee absolute satisfaction. Promptly return to us, at our expense, any unsatisfactory purchase. We will then either exchange it for what you want, or return the full amount you have paid, together with transportation charges." People know that this guaranty means just what it says, and confidence is built up in assertions which have no means of immediate verification. Risk is minimized and value enhanced. Skeptical customers become convinced that there will be no chance for future regrets if they place an order. Goods which would otherwise with difficulty be sold, such as those requiring matching of colors, accurate fitting, and the like, are purchased without so much as a second thought.

When the merchandise is not exactly what was expected, or when it does not meet the needs for which it was intended, the guaranty produces an interesting psychological situation which tends to minimize returns and exchanges. The guaranty is such a positive assertion of the value of the merchandise that the customer is led to believe, even against his better judgment, that it is all right in spite of his fears to the contrary. In other words, when it is made easy to return

merchandise, customers in most cases feel that it would not be to their advantage to do so. But when difficulties are thrown in the path of returned or exchanged goods by retail stores, the customer feels that it is to the advantage of the store to prevent such returns and exchanges, and hence it must of necessity be to the disadvantage of the customer.

Creating Demand.—While stores in many cases have been satisfied with merely taking orders and only haphazardly displaying their merchandise, mail order houses have taken the initiative and sought to create demand for their products. Labor saving devices, new appliances, modern inventions, improved equipment for home and farm, efficiency devices, and hundreds of other general classes of articles have been held before the customer's eye until he has extended his standard of living by purchasing them. By following this aggressive policy, the mail order house has been enabled to increase its sales, when retail stores were standing still waiting for customers to call and "ask for" the goods that were being carried by the mail order houses. Numerous cases are known where customers have told of the wonderful "new" article they were able to buy at a mail order house, when investigation showed that the same or a similar article had been occupying the shelves of a near-by store for months and even years. Stores have not pushed new merchandise as they should, and have only too often become the purveyors of staple commodities which require little effort to sell. Here, again, the mail order house merely came forward and satisfied a demand —by creating a demand for the out-of-the-ordinary.

CHAPTER VIII

THE MAIL ORDER HOUSE (CONTINUED)

Economies of Operation.—By satisfying a demand which the local merchant had ignored, by supplying commodities with distinctive qualities and at professedly lower prices, the mail order house has come to enjoy six outstanding advantages:

1. It is equipped with unusual buying power.
2. It often can avail itself of secret discounts.
3. Its cash policy insures it against losses.
4. Its charges to capital expense are less because of its rapid turnover.
5. It specializes its managerial functions.
6. It can sell its goods in a world market.

As the present chapter develops, it will become clear that the advantages of the mail order house are very largely the disadvantages against which the local merchant has to contend.

1. **Unusual Buying Power.**—Because of its size, the mail order house is often able to buy up the entire output of a factory. With all the worry of marketing his product removed the manufacturer is willing to make a price which insures him his costs, plus a small net profit. If his risks and costs of marketing were greater, he would have to ask more for his product. Where a large supply of goods cannot be secured at a less-than-the-market price, the mail order house may purchase a factory that is unable to operate successfully, or it may build its own producing plant. In either case it obtains

a supply of merchandise through avenues which, to many thousands of stores, are unavailable.

Another source of cheap goods is daily discovered by an army of buyers who keep in touch with manufacturing conditions all over the world. These men make it a business to know: when any manufacturer has overproduced; when any manufacturer needs money; when jobbers are narrowing the market for certain products; when changing demand will produce obsolescence; and when many other conditions may arise to permit bargains, reductions, or special prices. These business scouts are bound to no rigid or customary channels of supply, as are many retail stores. They are free-lance buyers and shop before they purchase mail order goods.

2. **Secret Discounts.**—In some cases, the mail order house has been able to buy more cheaply than competitors because of secret discounts. This is a form of unfair competition and has been vigorously fought by jobbers and retailers. Organizations of these latter middlemen have been formed to boycott manufacturers who carried on such a practice. Where it has been impossible to get evidence of secret discounts, but where it was strongly felt that they were given, retail organizations have refused to buy the manufacturers' products, and the latter have suddenly realized that 90 per cent of their market had disappeared and that their only customer was the mail order house which now was demanding further concessions as the only basis for increased purchases. Because of the fear of what retailers will do through their organizations or jobbing associations, many manufacturers will not sell to mail order houses and endanger perhaps nine-tenths of their business for the remaining one- or two-tenths. The source of supply of some products is not open to mail order houses to such an extent as it is to stores, but the number of these unavailable products is small.

3. Safeguards from Loss.—By adhering largely to a cash policy, mail order houses have been saved from the burden of bad debts, which is often a fatal handicap for the small store. Along with this advantage has gone the simplification of keeping accounts, as well as the accumulation of large funds of cash which can be used to take advantage of daily market conditions. Where credit has been extended on larger purchases, such as pianos, furniture, and machinery, the risks have been previously carefully investigated so that the chances of loss were small. A vigorous collections department keeps credit customers posted as to the date payments are due, and failure to meet payments brings follow-up letters at regular intervals which become more determined in tone until payment is made or suit is commenced. Even with these safeguards some losses result, the average for mail order houses of all types amounting to about 1 per cent.

With the average small retailer the loss through bad debts is often two or three times this amount. Where the retailer knows his customers personally, he is often reluctant to send bills for fear of offence. Bills running from six months to a year are not uncommon in some farming communities, although since the Great War the tendency has been to shorten credit. In the stampede for more customers, credit is often extended without any previous investigation as to willingness or ability to pay. Because many communities are without a credit-rating bureau, it is possible for credit customers to incur obligations at one store until their credit is shut off, and then proceed to the store across the street and perform the same process. Besides these disadvantages arising from the misuse of credit, from 10 to 50 per cent of the gross sales are represented in the ledger instead of in the cash drawer, and the store is handicapped in taking up its discounts, or in assuming advantages that the immediate market may afford.

4. **Rapid Turnover.**—The charges to capital expense are reduced materially owing to the rapid turnover of goods. Sometimes the larger and more expensive goods, or goods of special make or design, or merchandise infrequently called for, have not yet been manufactured when the order and accompanying cash arrive for their purchase. Hence the raw materials and labor cost which go into the product may be paid for with the customer's money before the product is manufactured. In other words the customer is made to supply the manufacturing capital, instead of the mail order house. Or it may be that the article ordered has been manufactured only recently and is stored at the place of the manufacturer. If such is the case, the article can be shipped direct from the factory, thereby saving transportation charges from the factory to the storerooms of the mail order house, and lessening the time during which capital charges would operate. Of course large volumes of merchandise are stored at the central warehouses, but these are constantly kept moving so that capital is tied up in a commodity for the shortest possible period before it is sold. Capital, as well as the other factors of production and distribution, is made to operate efficiently.

The tendency for smaller stores has been to purchase merchandise in quantity lots because of special discounts or other inducements that were offered. This policy has served to tie up the limited amount of capital available, and has made impossible the carrying of a larger variety of goods. When the purchases have been unchanging staples, no further loss has resulted; but instances are common where large quantities of certain articles have been purchased only to become "stickers," by reason of the changing character of demand. One merchant was found to have several shelves full of fancy kerosene lamps, although his community had had electricity for ten years. He was inventorying them at full value and kept them displayed in a prominent place in the center of

the store. Another store had a large number of ladies' cloaks which had accumulated during seven years. They had been purchased in dozen lots instead of lots of two's and three's. In the larger stores, the small purchase and quick turn has been common for years, but the small store still adheres to a buying policy which handicaps it in its competition with the mail order house, the department store, and the chain store.

5. Specialization of Management.—The mail order management makes great savings through specialization of functions. Each duty is divided and subdivided so that the performer may become a specialist. Matters of routine are directed through specialized subordinates, thereby giving those with managerial ability an opportunity of seeing the broad aspects of the business, and the time to plan and work out more economical methods of procedure. On the other hand, it is a common sight in a retail store to see the proprietor sweeping the floor, opening crates, decorating windows, waiting on customers, buying goods, or doing the hundred and one things which have to be done in the average store. In some cases the business is not large enough to permit of anyone's time being occupied in only one phase of merchandising, while in other cases the proprietor has fallen into a rut and is performing manual duties and detail operations which could be turned over to those less qualified for management.

Besides specialized management, the mail order house has the advantage of a higher grade of management. It can employ the best men to fill positions of responsibility. These men, having greater foresight, ability, and judgment than the small retailer, naturally see ways of improving their advertising, selling, buying, and general direction of business, all of which is a closed book to those less well endowed. In merchandising, as in almost every other form of business, there is a competition of brains. The department stores and

chain stores are equal competitors with the mail order houses in this respect, but the small retailer very often does not have the training or the ability to cope successfully with rapidly changing and complex market problems.

6. World Markets.—By selling goods all over the world, the mail order house is independent of local depressions or catastrophes. It is not vitally affected by local boycotts, and movements against it have difficulty in spreading to unaffected districts. Its buyers take advantage of the differences in the prices of raw materials in widely separated markets, since the trend of events over a wide area is discovered in time to make successful adjustments. Such elimination of uncertainties makes possible a more intelligent use of capital and provides a basis for broad planning. The local business is always at a disadvantage in competition with the nationally and internationally conceived institution.

Cost-to-Sell. — Notwithstanding the many advantages accruing to the mail order house, the cost-to-sell (often known as the cost of doing business) is much the same as it is for some kinds of specialty stores. For the mail order house it averages close to 23 per cent, which is explained by the fact that one item, advertising, is very much higher than in the average store, amounting in some cases to 10 per cent and seldom falling below 6 per cent. The advertising expense for the average store is, perhaps, not more than 1 per cent. In small stores it hardly ever amounts to more than ½ per cent, while in the larger concerns 1½ per cent is usually considered a liberal appropriation.

Comparisons of the cost-to-sell of mail order houses with stores carrying certain lines of goods are as follows: the mail order cost-to-sell is about 5 per cent higher than the average grocery cost-to-sell; it is about the same as that

of dry-goods, ladies' ready-to-wear, furniture, and shoe stores; it is 1 or 2 per cent higher than that of hardware stores; 4 per cent lower than for men's clothing shops; 5 per cent lower than for jewelry stores; and about 4 per cent lower than for department stores.

Of course, the cost-to-sell varies with different mail order houses, as it does with different stores. One mail order official stated that it ranged from 16 to 25 per cent.[1] Considering all the lines that it handles and what it would cost to sell them in stores, it is probable that the mail order house has no lower cost-to-sell on the average than the stores. What it saves on rent (1 or 2 per cent) and salaries (about 4 per cent), and on other items, it spends in a larger outlay for items like advertising. It would seem that the advantage of the mail order house lies elsewhere than in its lower cost-to-sell. Most certainly is this the case when the mail order house is compared with the country store where the cost-to-sell is lower than the average.

Advantages of the Local Merchant.—The economic disadvantages of the mail order house might be designated as the advantages of the local merchants. They constitute the grounds on which the country merchant may regain lost trade; they narrow the scope of mail order business; they embrace possibilities for expansion, and may, in the future, be the means of revolutionizing present-day retailing methods. Six of these advantages are considered in the present section.

1. **Physical Inspection of Merchandise.**—Even though the trend of marketing is toward selling goods by description rather than by the more cumbersome and expensive methods

[1] Wm. C. Thorne, vice-president of Montgomery Ward and Company, before the Parcels Post Sub-committee of the Senate Committee on Post-Offices and Post Roads, January 3, 1912. Superintendent of Documents, Washington, D. C.

of sample and bulk, yet large numbers of people desire to inspect the goods before they purchase them. This advantage, afforded by stores, has not been utilized to the fullest extent because only surface qualities have been exhibited and poor salesmanship has neglected to create the true value of the merchandise in the minds of customers. The clever descriptions of mail order catalogues have enabled the customer to see the merchandise more clearly than when similar merchandise was physically inspected in some store. If stores will physically exhibit goods and at the same time accurately recreate their value by means of attractive descriptions, mail order houses will be at a distinct disadvantage in comparing values favorable to themselves.

2. **Immediate Delivery.**—The delay in securing what is needed deducts from the utility and value of mail order goods. That the customer always pays for such delays is not generally clearly understood. Stores have an opportunity to "sell" this idea to the public by means of advertising and general publicity. If the average customer sees the ebb and flow of values in the concrete purchases of everyday life, he will probably in some cases change the source of his supply. A price can be judged only by the utilities which it purchases; if the price is low the utilities are usually low, and if the price is high there is a presumption of greater capacities to serve the user. To make the customer see these utilities, is the weapon offered store publicity and salesmanship with which to meet mail order competition.

3. **Personal Service.**—Personal service has a distinct advantage over impersonal service. It caters to the vanity of customers and provides a warm human contact between buyer and seller when rightly applied. The store is able to adapt itself to the whims of customers and thereby to individualize

its service, while the mail order house must necessarily standardize its operations. Personal friendships and understandings which arise between buyer and seller make for agreeable and permanent relationships. The store with an attractive and friendly force of salespeople who are continuously looking out for the interest of the customer, is hard competition for the mail order house with its distant and impersonalized force of correspondents. An increasing number of stores are beginning to realize their inherent advantage and are building up attractive personal service and relationships.

4. **Community Pride.**—The majority of citizens in a small town or city are interested in building up the community. This is true because their entire future rests with the development of their environment. Not only retailers, but doctors, lawyers, teachers, preachers, and others are trying to increase their patronage. To show, as can often be done, that no advantage accrues to the individual by purchasing from mail order houses and that community development is handicapped, tends to arouse community patriotism which in some cases has gone far to reduce the amount of merchandise purchased from out of town. As our communities grow older and their sense of citizenship becomes more spiritually solidified, a common understanding may develop which may resent any outside trade intrusion that does not economically better the customer and that saps the vitality of local business interests.

5. **Retail Store's Use of Mail Orders.**—Because the farmer has become accustomed to purchase by description through mail order catalogues, some merchants in the Middle West have endeavored to adapt themselves to this situation and to modify it to their own advantage. Mail order catalogues are now being sent out regularly to farmers even by many of the smaller merchants, and when the descriptions have been

interesting and accurate and the illustrations attractive, the local merchant's claims have been looked into before orders have been sent out of town. The construction of such a catalogue has led merchants to analyze their goods carefully in comparison with mail order articles, and they have been surprised to find that, quality for quality, they could offer equal value for the money.

These mail order departments established recently by some retail stores, have the advantage over the distant mail order houses because they permit of prompt ordering over the telephone and prompt delivery by means of truck or parcels post. Long delays, the writing of letters, or the making out of orders (a difficult task for many people) are eliminated; and at the same time the customer is made to feel that he is part of the community and not outside of it. There is little doubt that the retail store's use of the mail order is only in its infancy, and that this method of making business connections with the farmer will prove to be increasingly productive.

6. **Rapid Development of Transportation.**—The local merchant has secured a distinct advantage over the mail order house in the last decade due to the extraordinary development of local means of transportation. The institution of the parcels post gave a distinct impetus to mail order business, but this advantage has been more than offset by the introduction of the automobile and the laying of good roads. The isolation of country districts, a fertile field for the mail order catalogue, has practically disappeared or is rapidly disappearing with the advent of state and national road-building programs. As regards communication and transportation, forty miles are now, in a great many districts, no more than five miles formerly were; and with increased prosperity, leisure has prompted the farmer to make more frequent trips to town with cash, instead of a charge book, in his pocket.

This revolution in means of communication is likewise setting in motion a readjustment among centers of population which is having an important bearing on the survival of the fittest among retailers. Formerly, the country merchant had to meet stiff competition from mail order houses, but he was quite free from neighboring town competition because of the bad condition of the roads and lack of rapid transportation facilities. Now he is subject to the competition of the neighboring town retailer as well as to that of the mail order house. Battered from near and far, he is rapidly succumbing to the more efficient merchants in the larger towns and cities, who are not only increasing their business because of improved facilities of transportation, but are also capturing mail order business in their own trade territory. Concentration of population is thus increasing the mortality of retailers incapable of adapting themselves to the new situation, and is building up larger and more complex types of retailers in our small county seats and large cities. These larger retail units seem better able to present those services, conveniences, and attractions which go far to offset the lure of the mail order catalogue, and to maintain and keep up to date more complete stocks of merchandise. With the possible advent of the aeroplane as a practical and cheap means of transportation, it is easy for the imagination to call up further readjustments of population in the future, which will carry with them to a hitherto undreamed of extent a corresponding transformation of the retail middleman.

"Taking Money out of Town" Argument.—The stock argument of those interested in the retail business, against purchasing goods from mail order houses, is that it takes money out of town. Economists have answered this from two standpoints: First, the supply of money itself, the circulating medium, is not depleted by such purchases, since money is

not shipped out; the purchases are made by means of credit instruments which are satisfied ultimately by the offsetting of debts between districts. Second, a community from which mail order business is sent is no worse off because of this business but rather better off, since it is presumed that for each dollar sent out an equivalent in value is received which in any case would be more than could be secured for the same dollar from the stores of the community.

While the first answer to the argument is undoubtedly true, the second will stand some inspection. If the customer always secured more for his dollar by purchasing from mail order houses, the community would undoubtedly be more wealthy because of such action. But, on the other hand, if he secures no more for his dollar, local trade languishes and the town becomes of less importance as a trading center and ultimately as a place of residence. Whether or not the customer secures more or less for his dollar from mail order houses is a matter of expert opinion brought to bear on an individual case, and not of "common belief" to be universally applied. Customers do not know merchandise; this is one of the first facts that strikes the merchandising student. Leathers, fabrics, tools, instruments, furniture, and scores of articles are so complex in style and construction that only those who have made a careful study of each line are in a position to give an intelligent opinion.

Recently, an expert in merchandise said that for every article in the mail order catalogue which was cheaper than a similar article sold in stores, he could show an article in the mail order catalogue which was dearer than a similar article sold in stores. Perhaps there is a good deal of truth in the assertion that the total values for similar articles in stores and mail order houses are the same, but that manipulations of price apparently make one middleman's offers more attractive than the others. If this were the case, there would be

only an apparent advantage accruing to the customer who traded exclusively with mail order houses. On the other hand, it is likewise true that a customer might gain by skilfully purchasing those values which were greater for each dollar expended as compared to the values in the retail store. Whether or not there is an advantage or disadvantage in the case of any particular purchase of other than staple goods, must remain a matter for expert decision. But in forming a decision it must be remembered that convenience, permanent supply, favorable means and time of payment, and personal satisfaction must be considered as part of the utilities of the merchandise. When all factors are considered, an extremely complex situation presents itself which places in a precarious position any snap judgments which may be formed.

CHAPTER IX

RETAILER'S MARKET ANALYSIS

Analysis in a Buyer's Market.—Retail marketing costs constitute the largest percentage of the "price spread" existing between the manufacturer and consumer. One of the many reasons for this condition is the lack of an analysis of the quantity and quality of merchandise which any market is capable of absorbing. For the most part, retail purchasing has developed along narrow lines. During the past century, the dominance of a seller's market made unnecessary a close scrutiny of market peculiarities, or even an ascertainment of the degree of market saturation relative to any particular line of goods. The advantage was with the seller of merchandise, and the customer took what he could get. At the present time, however, with a more sluggish but more discriminating demand, retailers are being forced to investigate their market possibilities in order to insure a ready absorption of the growing abundance of a product. Where such market analyses are not being made by retailers, they are by wholesalers, and in some cases by manufacturers. For whoever makes the analysis, the important object is a determination of the consuming power of the population as to quality and quantity of goods.

Inefficient Retail Purchasing Methods.—The methods employed by many retailers in purchasing their stocks of merchandise, indicate their failure to realize the tremendous reversal in market emphasis which has developed within recent years. Custom still dictates the character of much retail

purchasing, although the increasing pressure of goods is making itself felt in some districts. In the prevalent retailing system, however, there are five outstanding defects each of which will be given separate consideration, and in the following order, in the present chapter.

1. Long-time credits, discounts, bargains, or special prices on large orders influence the valuation of goods offered by the jobber or the manufacturer.
2. The purchase of certain lines of goods has been based on friendship for the traveling salesman.
3. "Standard" goods carry no advantage in some markets, yet retailers often purchase them because they consider them "standard."
4. For some merchants, the purchasing of certain lines of goods is based on habit.
5. Some merchants purchase from certain jobbing houses because of a feeling of obligation toward them.

Unless the defects are rapidly eliminated by scientific market analysis the tendency toward integration will become more pronounced, and, as a result, independent retail units will become of less importance in the marketing system.

1. **Purchasing Based on Special Inducements.**—The first defect to be considered in present retail purchasing methods is the selection of goods because of special inducements such as long-time credits, quantity and extra discounts, and bargains, offered by the jobber or manufacturer. Each of these chief inducements to divert the retailer's attention from a scientific appraisal of his market, and the effect on retailer, jobber, manufacturer, and public of the overstocking which results when such inducements are allowed to exert undue influence, are taken up in detail in the sections immediately following.

Long-Time Credits.—The number of merchants who are attracted by the idea that they can buy now and pay for the goods in one, two, or even three months,[1] and, in the meantime sell the goods, is surprising. If the trade is going to come into a store and demand that line of goods, the results of such a policy are satisfactory; but if the public does not desire this particular line, or changes its mind about it, then the goods are on the merchant's hands and will have to be sold at a loss.

There are several unknown quantities in the equation of buying, and the nature of the demand is one of these. When goods are purchased on long-time credit, the retailer rarely attempts to determine the unknown factor. He assumes that the goods will be purchased by the public within a certain time, but does not command evidence to substantiate this assumption. Forced sales and loss result. What this loss would amount to for all merchants throughout the country, one could only hazard a guess, but that it would be tremendous no one will deny.

Quantity Discounts.—Offers to the merchant of special prices on large orders have been productive of short-sightedness in buying, and account, in many instances, for large stocks of goods that fail to move from the shelves. Only one who has seen the tremendous overstocking of goods among the merchants in the smaller towns can understand what a dead weight rests on the backs of the majority of retailers, and yet they almost invariably believe that they are saving money by buying large orders. Only rarely has one of these merchants been heard to admit that he was overstocked, and even then, nothing more than a guess could be made as to what lines were in excess. This lack of knowledge of the existence

[1] Ninety days' credit is almost obsolete now.

of overstocking makes education along this line especially useful, and, where it has been given, flatteringly productive.

Turnover versus Quantity Discounts.—That the merchant in most cases[2] loses money by this method of purchasing can be shown by an illustration. Suppose a merchant every month buys a dozen of an article that costs him 75 cents per dozen, and sells a dozen every month at the price of $1. At the end of the year, this merchant has turned this 75 cents twelve times, making 25 cents every time, or, in other words, has made $3 on an investment of 75 cents. Then a specialty salesman comes along, and says: "You are paying too much money for those goods. I can sell you that same article for $6 a gross." It looks like a saving, so the merchant takes a gross. During the year following this purchase he sells a dozen a month, or the entire gross, at a profit of $6. In other words, he has made $6 on a $6 investment, or 100 per cent, while under the former method of buying he made $3 on a 75-cent investment, or 400 per cent.

When it is acknowledged that this hypothetical case represents actual conditions and could be multiplied by many lines in any one store, it will be realized what a tremendous saving could be effected by a different method of buying. Instead of permitting the $6 to carry one line, it should be more fully utilized and made to carry twelve 75-cent lines. The jobber would be forced to function as a warehouse instead of the store, making not only for better appearance of the latter, but for larger retail profits.

Overstocking—Failure.—Thus it must be evident that all parties concerned, the jobber merchant, and the public, would

[2] During a period of rising prices this method of buying can often be justified to a limited extent, but if carried very far becomes speculation pure and simple. The buyer then tries to liquidate before a falling market brings him loss, not merely in sales, but in inventory.

benefit by a more rapid turnover of stock. The jobber cannot hope to build up a permanent trade by stocking merchants with goods that will not move. He may make immediate gains, but this policy continued will force his customers to the wall and make necessary the formation of trade connections with new dealers. Unfortunately, jobbers are only too often short-sighted and persistently continue to "load" merchants until the latter are forced into liquidation. Often the direct cause for such failures is not ascertained by financial investigators, and classifications such as "lack of funds," "incompetence," or others equally inaccurate are used to indicate the reasons for insolvency, when, in reality, these are only conditions of failure—not causes. On the surface, "lack of funds" often appears as the fundamental reason for going out of business. This condition, however, is caused by wrong buying methods; most merchants have sufficient capital to carry the necessary number of lines and meet contingencies, but instead of conserving it, they let much of it lie idle.

Overstocking—Inefficiency.—But even if it is to the advantage of jobbers to overstock retailers, or if they continue this policy against their own interests, because of the ignorance of their salesmen or for other reasons, it is plainly to the interests of the merchant to thwart such attempts whenever possible. When overstocked the merchant is handicapped by lack of capital; his profits are lower; the number of clearance sales with all their attendant disruption of routine are increased; the appearance of his store is less suitable for attracting trade; the congestion of stock often interrupts the speedy finding of goods; and most important of all, his salespeople forego the stimulating effect of the frequent arrival of goods.

The Public's Interest.—The public is too interested a party to permit such a condition of affairs to continue. Buying

in this manner means fewer goods than might otherwise be offered to customers, poorer service, loss of time, and higher prices. The latter is true because the interest charges on the stock are greater, and in many cases a lack of funds caused by this inefficient use of capital prevents taking up discounts the use of which would have permitted a lower selling price. A growing realization on the part of the buying public of the disadvantages of such methods of buying gives promise of better conditions. But greater progress can be made if retailers will quickly realize their responsibility as public servants.

The Manufacturer's Interest.—The manufacturer also is vitally interested in the purchasing methods of retailers. Slow-moving stocks mean less ready capital with which to pay bills promptly and purchase new stock. With unattractive goods customers are not exploited, and only partial saturation of the trade territory results. This slowing up of the stream of goods is causing manufacturers to make investigations of the consuming power of communities, so that the retailers may be stimulated to study their opportunities and make more intelligent purchases. The retailers must speed up their selling or meet the competition of speeded up retail stores owned by manufacturers.

Extra Discounts.—To offer extra discounts and so induce merchants to buy a particular line is a common practice, and where the goods are of the right kind it can be justified. Too often, however, the merchandise is of such a nature that it can be disposed of only by extraordinary means, in which case it is safe to assume that the merchant gains nothing from the extra discount. Such goods usually cost the retailer more in the end than those on which a lower rate of discount was offered. While retailers realize that customers pay for

premiums offered with certain articles, they often fail to see that extra inducements in the nature of extra discounts are, in reality, premiums that are held before the eye in order to obscure some uncertain qualities in the goods themselves. When this and other unscientific methods of purchasing are followed, the retailer fails to look objectively at the trade territory or market, contenting himself with superficialities and overlooking the real *raison d'être* for the goods on the shelves.

Bargains as Inducements.—The chief inducement used to divert the retailer's attention from a scientific appraisal of his market, is bargaining. Perhaps some jobbing house has gone to the wall, or has had a fire, or, for some other reason, has a stock of goods that it wants to be rid of. An alluring price is placed on the job lot and a clever salesman unloads it on some retailer who does not think clearly. It is no doubt true that some real bargains are secured in such cases, but more often the retailer is ensnared in the same mesh that he uses to attract customers to his own bargain sales.

Human nature seems to be the same, whether found in retailer or in customer; a bargain appeals strongly to each, and for the time that it is held before the eyes it seems disproportionately attractive. Of course salesmen understand the necessity of laying all the emphasis on the strongest buying motives, hence this activity is not profound in its complexity. The marvelous feature of such transactions is that the uppermost buying motive of retailers should be what it is. The prominence of the motive to "get something for nothing" must give way to others whose existence will further more precise and accurate purchasing, if retailers are to furnish a satisfactory outlet for large-scale production.

2. **Purchasing Based on Friendship.**—Friendship for the traveling salesman has been found to be the chief reason for

some retailers' purchasing certain lines of goods, although the latter were unconscious that this was true and were reluctant to admit it when apprised of the facts. When the line sold to retailers by means of friendship has coincided with the results secured from an investigation of the market as to what should be sold (quantity and quality considered), no harm has resulted; but obviously such a coincidence could exist only by accident. Friendship has usually resulted in blinding the merchant to existing conditions, for a knowledge of which have been substituted highly colored and strictly hypothetical conditions prepared and held in view by the salesman. As in the case of bargains, sales are made because of attack through a vulnerable point.

The quality of friendship is with some merchants, as with men in other occupations, a prominent characteristic, overshadowing and subordinating all others and making the possessor one-sided and incapable of unbiased judgment. To such, friendliness on the part of the salesman is of undue magnitude, and all other considerations sink into the background. Lines better qualified to meet local conditions receive no consideration, partly because of lack of friendliness on the part of the salesman representing them, but more because of loyalty to the friendly salesman representing the other lines.

It does not necessarily follow that the salesmen who ingratiate themselves with this type of merchant are entirely conscious of their own activities. Perhaps they are the "born" salesmen type who make up in friendliness what they lack in the knowledge of their goods. Whatever the source of their influence, it remains true that such friendship between merchant and salesmen is exceedingly costly to the former, as well as destructive of self-discipline to the latter. And when this friendliness stimulates a merchant to leave one jobber and go to another because a certain salesman has left the former for the latter, several cases of which have been found,

it assumes proportions that become a menace not only to the retailer but to the public as well.

3. Confining Purchases to "Standard" Goods.—Retailers often purchase goods because they are nationally advertised and considered "standard." Nationally advertised goods carry no advantage in some markets, and when the practice of confining purchases to this class of goods is followed, many important factors in the buying equation are overlooked. What is considered standard by some classes of people is not always recognized as standard by others. The supposition that all classes of people view merchandise from a certain standpoint has, as its premise, the fallacy that all persons are educated equally regarding it. Many cases are known where retailers have purchased lines advertised in standard magazines rather than to put on their shelves the goods of an obscure manufacturer, even though the latter carried with them a larger percentage of profit. Some nationally advertised goods seem to have won their place in the store simply because of their ubiquity in the magazines read by the retailer. The very persistence of these advertisements has misled the merchant, for he has assumed that those in his trading territory or market have been equally educated and impressed. Only too often this has not been the case.

Social and Economic Surveys.—From an investigation[3] of the social and economic conditions in a typical township in Iowa, it was found that only one family in fifteen was a subscriber to a standard magazine, only one in every ten took a religious paper, and only one in every three subscribed to some daily newspaper. From this it would seem that many merchants are not getting what they are paying for. In other

[3] L. B. Mounts, A Survey of the Social and Economic Conditions in a Rural Township, p. 64, Iowa City, State University of Iowa, 1917.

words, they are accepting a lower percentage of profit per article because they expect a larger volume of sales due to national advertising; when, in reality, the sales of the nationally advertised article may not be much larger, if any, than those of obscure brands, simply because the magazines in which they appear do not have a wide circulation in their market. Not having carried some obscure brand, the retailer naturally cannot know whether the advertised brand is the means of producing more sales.

It would seem that the dictates of self-interest would impress upon any merchant the necessity of acquainting himself with the extent of the national advertising in his market. A survey should be made to ascertain what per cent of the potential buying public are subscribers to the magazines in which the goods are advertised. With this information, any merchant could quickly decide whether to buy nationally advertised goods carrying a small per cent of profit, or private brands carrying a more generous margin.

Co-operative Market Analyses.—A magazine survey might be made by any individual merchant, but since the character of the magazine subscriptions in the community is a matter of interest to all merchants, it would seem that such a survey could best be planned and carried out through the organized facilities of a commercial club or community organization. Moreover, just as it is more difficult and expensive for any one individual security-holder to ascertain the true character of the property represented by his certificates than for an organization of brokers, bankers, or stockholders to obtain such knowledge, so it is more difficult and expensive for any individual merchant to attempt to find out the nature of the magazine subscriptions in the market than for an organization to collect and disseminate the data. Such a survey will repay any ordinary expense connected with securing it.

Ignorance of Market Reduces Profits.—In many cases merchants will find that they have been sacrificing profits for years by carrying certain lines, around which the salesmen or themselves have created a halo of public recognition. To ascertain what the public is willing to buy rather than to assume its attachment to certain lines because of national publicity, is a change in point of view that should mean more profit to retailers and the purchase of goods that are more acceptable to the consumer. Assume nothing, ascertain everything, is a safe policy for merchants to follow in purchasing. The market must assume greater significance than store convenience or retailer opinion.

4. Purchasing Based on Habit.—With some merchants the purchasing of certain lines of goods is nothing more or less than a habit. Some temperaments get into well-defined mental grooves more readily than others, and it is apparently as hard to get out of them as it is to break a physical habit. A habit shortens the time necessary for the performance of an act, and it is probably because of this fact that it is usually allowed to direct the purchasing of goods. Habitual tasks can be accomplished in a surprisingly short space of time but tasks that demand specific attention require a longer period for accomplishment. To make buying automatic and avoid the irksomeness incidental to continued application, seems to be the aim of some retailers. In other words, some merchants are mentally lazy and seem to become exhausted if their attention is concentrated on any problem for any length of time. Like any other laziness, this kind can be dissipated by work. Close attention to marketing problems is the only means of creating vigorous thought regarding them.

Inefficiency of Automatic Purchasing.—Needless to say, purchasing cannot be made automatic; it cannot be performed

in a habitual way. Ideas are changing too rapidly to permit stability and uniformity of quantity, quality, and style in goods. It is only in more or less routine work that habit can play any great part. Some merchants, no doubt, wish that styles and other characteristics of goods were more stable, but their hopes are no determining element in actual conditions. Only too often men of this type substitute the imaginary for the real; and then it is that habit becomes a vicious factor in business. This situation reminds the writer of a building contractor who refused to put fireplaces in his houses because he said the public was foolish to demand them. The fact remained that the public did demand fireplaces, and was willing to pay for them; and it got them, regardless of what the contractor thought.

Knowledge of Demand.—Buying is the chief problem of merchandising. The old saying, "Goods well bought are half sold," contains much truth. To buy goods of the right quantity, style, and quality, is perhaps one of the most intricate and difficult of arts and can never be reduced to routine. Neither can it be turned over to inexperienced employees, while the proprietor uncrates goods at the rear of the store. If the merchant has real merchandising ability, a large part of it will be expended in scientifically purchasing goods. Accounting matters, store arrangement, window decoration, and other important duties can be standardized and turned over to others to supervise or perform much more easily than can the function of buying. It is true that others can gather data on which the buying judgment may be based, but the important fact remains that the judgment itself must be made by the person with the greatest merchandising ability and experience, and in the smaller establishments he is usually the proprietor. The most difficult and exacting work should be done the most thoroughly and by those best qualified to perform it.

5. **Purchasing Based on Sense of Obligation.**—Some merchants purchase from certain jobbing houses because of a feeling of obligation towards them. A sense of obligation may have developed because a jobbing house stood by the merchant, or gave valuable concessions when he badly needed them, or provided some other service of importance. That the merchant owes a debt to the jobber who has extended him credit at a critical time in his existence, or who has given him any other valuable service, goes without saying. Yet this debt can be repaid at a ruinous rate. For a merchant to buy goods of a jobber because the latter has befriended him, is usually to pay a high price for that service. It would be far better for the retailer and the public if the former paid for this service at a money price considered fair by all parties connected with the transaction, than for him to feel obligated to purchase in ignorance of the demands of his market.

Anything that tends to divert the attention of the merchant from the real reason for buying, i.e., the nature of the demand, is a dangerous obstacle to successful merchandising, especially if the object of distraction is itself attractive. The enticing behavior of siren jobbing houses should not blind the retailer to the ultimate disaster that lurks near-by. The extra services that some jobbers perform are real, and of money value, but the retailer must be wary of all such attractions; he must chain himself to the steering-wheel of duty and run his business craft where his chart and compass indicate—and that is in the direction of the rapidly fluctuating and highly sensitive demand.

Basis of Efficient Method.—In the preceding sections, dealing with inefficient methods of purchasing, it has been pointed out that the purchasing of a great many retailers is defective because certain matters receive undue consideration and pre-

clude an interpretation of market tendencies and possibilities. Conversely, the basis of efficient purchasing lies in ascertaining, judging, and accumulating facts regarding the demand for goods, and formulating from these facts generalizations or principles that will serve as accurate guides in purchasing merchandise. These processes must be in continual operation, as the conditions with which they are related are in constant movement and subject to change. The buying equation includes many variables which cannot in all cases be determined accurately, but their value and significance must be estimated on the basis of known facts, which, in their turn, have been carefully gathered and evaluated. The goods finally purchased will thus represent many interrelating and highly changing factors; just as the course of any steamship is the result of many conditions, such as the velocity of the wind and the current, the humidity, and the temperature, as well as the internal conditions of the ship itself.

Even those dealers who make an effort only to estimate marketing factors, realize that the more factors they take into consideration, the less inaccurate will be their decisions as to purchasing. The difficulty is that too many retailers feel that they are equipped to estimate the conditions affecting the demand, and that analysis is unnecessary in determining their significance. What many believe to be an estimate is, in reality, only a guess; and it is little wonder that so many business superstructures collapse when their foundations are an unknown quantity. Demand is the foundation of all retail business, and its nature and extent must be known—not guessed at. Human nature is a highly changing factor in the buying equation, and consequently the greatest discrimination in gathering data, and the most unbiased judgments in weighing facts, should be used. It is with all these difficulties of the situation in mind, that the "trade survey" as a method of market analysis is presented.

The Trade Survey.—The purpose of the trade survey is to ascertain in terms of money value, a community's consuming power. This information is secured in the following manner: From the production figures at mill-cost price for any commodity in the United States, as found in the United States Census, are subtracted all exports of the same commodity, and to the difference are added all imports. The mill-cost consumption figure for this commodity thus obtained is then multiplied by the average retail mark-up,[4] and the product represents the gross sales of this commodity in the United States.

The per capita consumption of this commodity can then be found by dividing its gross sales figure by the population of the United States. The per family consumption can be found by dividing the gross sales of the commodity by one-fifth of the population, while the consumption of the commodity for every man sixteen years of age and over, can be determined by dividing the gross sales of the commodity by 35 per cent of the population.

Defining the Market Limits.—From these consumption figures for all lines of commodities, the consuming power of any community can be ascertained in terms of money value, provided the boundaries of the community can be defined. For example, if it was found that each family in the United States makes an average expenditure on groceries of $228, in order to get for any community the total consumption figures for groceries, it would still be necessary to determine how many families could be considered as economically included within that community. At first thought it might seem that this determination of a community's trading popu-

[4] The retail mark-up can be ascertained for several communities, and averages struck. Information of this character, sufficient for purposes of a trade survey, has already been collected.

lation (often known as its trade territory or market) is a purely arbitrary matter. This is far from being the case, although some writers have indicated that, on the average, every city should draw from an outside territory that embraces a population equal to 40 per cent of itself.

It is obvious that many conditions determine the extent of any city's trade territory. Geographical conditions are often very important in freeing a city from outside competition, or in handicapping it in the race for trade. Extraordinarily fair and comprehensive merchandising methods have been the means of some cities' including in their trade territory outlying districts whose population was equal to 75 per cent of that of the city. All of which indicates that each city must be considered as an individual case from the standpoint of a market.

Differentiating Overlapping Markets.—The trade territory of a city must be taken to include the population of the city and all outlying districts that are directly and naturally tributary to it. This includes outlying territory that for any reason whatever does and should trade in the nearest city. In most cases the population of these country districts will not be exactly 40 per cent of the population of the city that forms their trading center. If villages having retail stores are included in the city's market, usually some fraction (not easily determinable) must be deducted from the trade territory in order to get a fair estimate of the city's trade possibilities. The retail facilities of both city and villages will have to be taken into consideration in determining where the trade boundaries of one community end and the other begin. Of necessity communities overlap, but nevertheless they usually have boundaries that are more or less natural in character and that serve to differentiate aggregations of people with common interests.

Market for Different Commodities.—While what constitutes a city's market can be determined in the manner indicated, it is nevertheless true that the extent of that market varies with different lines of goods. For example, it has been found[5] that a city's trade territory is much larger for ladies' ready-to-wear apparel, dress goods, jewelry, books, furniture, pianos, dry-goods and for men's suits, than it is for implements, lumber, groceries, drug store sundries, and phonographs. Because of this fact, it would often be misleading to assume that a certain district should comprise a city's market for groceries because it is the city's market for ladies' ready-to-wear clothing. Accuracy in determining any city's market can come only through considering its local peculiarities.

Qualitative Market Analyses.—Not only a quantitative market analysis should be made, but likewise a qualitative. Knowing the number of stoves a community should require, does not indicate the kind of stoves it is using or the changing trend of demand. This knowledge can be secured only by constant contact with the consuming public and personal investigations of what is in use. In a hardware store in a town of 900 inhabitants an investigator discovered nothing but cheap stoves. On being asked why he did not carry some high-grade ranges, the retailer replied, "They want cheap stuff in this town." The investigator went to the telephone, called up sixteen housewives, and asked them each one question, "What kind of a stove have you in your kitchen?" Twelve out of the sixteen had a certain well-known standard brand of range. They purchased them out of town. In some towns the investigator found that women were purchasing their shoes out of town, because the styles sold in the town's

[5] Where Farmers Trade, p. 8. Topeka, Kan., The Capper Publications, 1917.

stores were not to their liking. Watching the feet of people as they walked past the stores would have been a most enlightening market analysis for the shoe dealers of that town. Sometimes a house to house questionnaire or canvass has indicated what customers wanted and what they were using. These and other plans of qualitative market analysis mean goods more to the customer's liking, fewer carry-overs, a lower marketing cost, and a more satisfactory outlet for the manufacturer's product.

CHAPTER X

MANUFACTURER MARKET ANALYSIS

Development of Manufacturer Market Analysis.—During the seller's market of the last century, manufacturers were concerned primarily with creating goods and getting them to the market. Now, during a buyer's market, manufacturers are chiefly interested in ascertaining the absorption capacity of the market. With this information, the production phase of the business can be controlled, and the distribution or sales department is enabled to act intelligently in its locality emphasis. Even though the orthodox method of distribution is followed, it is desirable for the manufacturer to have first-hand knowledge of his markets. This knowledge comprises information as to the following points in particular:

1. Where the goods are sold.
2. What classes of people purchase them.
3. The chief reasons why they are purchased.
4. The characteristics of the men who are selling the goods.
5. The conditions under which the dealers are working.
6. The nature of the dealers' sales methods.
7. The costs of sales.
8. Alternative methods of selling and their relative advantages for particular territories.

Methods of Gathering Market Data.—Market knowledge is now being secured by research departments, which are being created in increasing numbers by manufacturing concerns, groups of department stores, and wholesalers. Expert

analysts, statisticians, and investigators make up the staffs of these departments. Their work consists of analyzing the field, or market, organizing the resulting data in clear and concise form, and formulating conclusions based on these data. Previous to the creation of research departments many manufacturers made a practice of gathering market data, but the methods pursued were for the most part haphazard and desultory. Much important market information was never analyzed because it was never worked up in a form to be readily comprehended by those who could profit by it. Graphic methods of representation, by means of which the presentation of facts to managers and boards of directors has become a comparatively simple and interesting operation, have advanced market analysis considerably. These and other methods of the analyst and statistician have provided the necessary tools by means of which market facts may be utilized to determine production and sales policies. Knowledge of the market is thus truly becoming a directive force in commerce, and the modern research department forms the medium through which it is enabled to operate.

The Manufacturer's Market.—The market of the manufacturer may consist of one, two, or three parts. If the orthodox system of marketing is used, there is first, the immediate market—the wholesaler; second, the intermediate market—the retailer; and lastly, the ultimate market—the consumer. If the wholesaler is eliminated, the intermediate market becomes the immediate market; and if the manufacturer sells direct to the consumer, the latter becomes the immediate as well as the ultimate market. In a buyer's market a careful analysis of each of these classes of customers is a growing necessity. Knowledge must be had of the sales methods pursued by each market functionary as well as the buying habits of customers and the influences which affect them, since

it is only from this information that the manufacturer can determine reasons for increasing or slackening up his distribution.

To understand fully the strength and weakness of each market functionary is to be in a position to make prompt readjustments in the direction either of further differentiation or integration of market functions. Ignorance of any of his markets places the manufacturer in a dependent position as regards his distributors. Market analysis means for him independence and lower costs in the distribution of goods, because more rapid readjustments in marketing machinery can be made.

Analysis of the Wholesale Market.—It is possible that a thorough analysis of the wholesale market for each product would alter materially present channels of distribution. Some merchandise which is now being sold direct to the retailer would probably employ the wholesaler as a medium, while some merchandise being distributed through wholesalers would no doubt move direct to the retail market. An analysis of the different markets would reveal their relative advantages for goods of different types, and presumably adjust the market machinery to the goods which it must handle. The more complete the analysis, the more the questions to be answered. Methods long taken for granted would have to justify their continued existence by the efficiency with which they could operate under changing conditions. The existence of a buyer's market is hastening such an analysis, but in many lines of goods its pressure has not yet been felt sufficiently to induce manufacturers to scrutinize the character of their immediate market. The manufacturer who makes this analysis before he is forced to do so by the changing market emphasis, is the manufacturer who will lead his competitors in the race for trade under the new conditions.

A Cross-Section of the Wholesale Market.—An analysis of the wholesale market would result in securing a market cross-section which would answer for the manufacturer the following important questions:

1. How long has the wholesaler constituted our immediate market?
2. Why was he originally chosen as our immediate market?
3. Are the conditions which dictated the original adoption of this market now operating?
4. Is this market functionary satisfied with our treatment of him?
5. Is the wholesaler "sold" on the superior value of our goods as compared with similar goods?
6. Is the wholesaler's percentage of profit on our goods as great as on competing goods which he does not handle?
7. Is his percentage of profit on our goods as great as on other goods he handles?
8. Is his total profit from the sale of our goods larger than the total profit from the sale of other similar goods?
9. To what class of retailers does he sell our merchandise—good risks, bad risks; quality dealers, price dealers; retailers catering to special classes, etc?
10. What characteristics of quality, style, service, etc., pertaining to our goods, does he emphasize in selling to the retailer?
11. What competing lines does he carry?
12. As regards turnover, what position among competing lines would our product take?
13. Is our merchandise given preference over others? If it is, what reasons account for that preference? If not, what merchandise is thus favored and why?
14. Does the wholesaler appreciate our efforts to create dealer- and consumer-demand?
15. Has he any idea as to how the mediums of demand-creation could be improved in effectiveness?
16. To what extent is our advertising material utilized in selling our product?

17. To what extent is the advertising material of competitors utilized in selling their product?
18. Do competitors co-operate with the wholesaler to a greater extent in selling their goods?
19. Is the demand for our goods increasing or decreasing? Why?
20. Is the demand for our goods increasing or decreasing as rapidly as competitors' goods? Why?
21. Has the wholesaler handled our goods continuously, or has he handled them intermittently?
22. Why has the wholesaler ceased handling our goods?
23. Do his private brands compete with ours?
24. Is he interested in manufacturing his own brands?
25. Is he interested in securing his own retail outlet?
26. Does he sell direct to large institutions?
27. Has he antagonized retailers by his methods of sale?

The consideration of such questions enables the manufacturer to visualize the extent and character of the market for his merchandise. It cannot but promote more intelligent marketing, i.e., marketing through the most efficient channels.

Analysis of the Retail Market.—Whether the retail market is for him the immediate field or an intermediate one, the manufacturer does well to know its character. At the most inopportune moment economic conditions may change it from an intermediate to an immediate market, leaving the manufacturer unable to cope successfully with new responsibilities. Besides, the efficiency of the immediate market cannot be fully visualized without a comprehension of its outlet. All markets are interrelated; they cannot be satisfactorily understood when isolated and studied by themselves. Whether the wholesaler is living up to his opportunities cannot be determined without knowing the nature of his opportunities. To know the relationship between markets is to be independent of the cramping influences which often dominate the methods pursued by market functionaries. Furthermore, integration of

market functions is more easily accomplished when the interrelating markets are thoroughly understood by manufacturers. Chain stores, mail order houses, and manufacturers' agencies would never have arisen had not a diagnosis of the retail market indicated the probability of their success. More widespread and thorough analyses of the retail market may reveal further possibilities for market modification. The most delicate adjustment of marketing machinery to market functions can never be made unless market conditions and relationships are completely understood. A market analysis produces this comprehension.

A Cross-Section of the Retail Market.—On the whole, the analysis applied to the wholesale market applies also to the retail market. In addition, such knowledge of the market as is represented by answers to the following questions seems necessary:

1. What is the nature of the retailer's location?
2. Does he have modern show-windows? Are they attractive? How often does he change them?
3. Has he modern fixtures? Are they arranged to care for the trade advantageously?
4. Is the store modern in other respects, such as lighting, heating etc.?
5. Is the stock attractively displayed? Is it marked in plain figures or characters?
6. How much stock does he carry?
7. What is its turnover?
8. How much of our own stock does he carry?
9. What is its turnover?
10. How often does he take inventory? Has he a perpetual value or quantity inventory system in any department?
11. How often has he special sales for closing out stock?
12. Does he maintain manufacturers' prices, or is he a price-cutter?

13. Is he interested in working out schemes for increasing his business?

14. What percentage of profit does he consider necessary?

15. What is his cost of doing business? Is it correct?

16. What percentage of his business does he secure by mail order, telephone, solicitation?

17. Has he a delivery system? Is it adequate?

18. How many salespeople does he employ? On what basis does he pay them?

19. Do his salespeople have any opportunity for salesmanship instruction?

20. What is the nature of his competition—local, near-by cities, mail order?

21. What methods does he employ to meet competition?

22. Does he prefer to mail his orders for goods, or does he prefer to give them to our salesmen?

23. How often do salesmen representing a similar line call? How often do they show their samples?

24. How often does our salesman call? How often does he show his samples?

25. Does our salesman build up confidence for our house?

The Retailer's Attitude Toward Advertised Goods.—Besides the data secured from answers to the above questions, it has been found desirable for the advertising manufacturer to ascertain the retailer's attitude toward advertising and advertised goods. Answers to the following questions give the desired information:

1. Does the retailer subscribe to trade papers? What are they?

2. Does he read the advertisements in them? Does he stimulate his salespeople to read them?

3. Does he subscribe to general magazines? What are they?

4. Does he read the advertisements in them?

5. Are such advertisements productive of orders?

6. Does the retailer believe in advertising? What mediums does he use? Which are the most productive?

7. Is dealer-literature made use of? What is done with it?

8. Are trade-marked goods given preference?

9. Does the retailer co-operate with national advertising campaigns?

10. Does he have a store slogan? Does it represent a distinctive store feature or service?

11. Has he any conception of the marketing function of advertising and its relation to distribution costs?

With such information before him the sales manager becomes a well-informed general who knows the topography of the battlefield and the strength of the forces with which he has to contend. If success crowns his efforts, he can put his finger on the circumstances causing this result; if sales efforts result in failure, the reason therefor is as readily discovered. The retail market analysis does away with guesswork and haphazard results. In a buyer's market, such analysis is indispensable market machinery.

Analysis of the Ultimate Market.—It is for the ultimate market that all merchandise is produced, although some goods become unsalable en route through the other markets. To understand the conditions with which the retailer has to deal is no less desirable than to understand those affecting the distribution of the wholesaler. Notwithstanding the fact that both retailer and wholesaler may be used in marketing the manufacturer's goods to the consumer, these market functionaries are often unaware of market possibilities; it is rare that of their own motion they seek the complete saturation of the market. When, however, market possibilities are brought to their attention these middlemen often assume greater responsibility for intensifying distribution in their territory. In a buyer's market the pressure of potential supply

makes it imperative that market saturation be more completely realized, and this may be accomplished through increasing demand by means of market analyses on the part of manufacturers and middlemen, or by integration. As long as the middlemen recognize the necessity of co-operating with the manufacturer in ascertaining market possibilities, just so long will integrating movements be retarded; but when wholesalers and retailers are tardy in their response to the manufacturer's effort to enlarge his distribution, the forces of integration are accelerated.

A Cross-Section of the Ultimate Market.—An analysis of the ultimate market seeks to determine the extent and character of the demand. Demand must be analyzed from the standpoints of: location, consumers, climate, financial conditions, transportation, and competition. Answers to such questions as the following must be sought:

1. *Location.* Does the demand come from cities, small towns, or rural districts? Is it localized or national in scope?

2. *Consumers.* What percentage of the population is rich? Of medium circumstances? Poor? What percentage is married? Single? Old? Middle-aged? Young? What percentage consists of laborers? Agriculturists? Professional men? Business men? Mechanics? Clerks? Servants? What nationalities predominate? Are the inhabitants of the territory included thrifty? Is the population pleasure-loving or serious-minded? Do customers ask for our product by name or trade-mark? Do consumers subscribe to magazines which advertise our product?

3. *Climate.* What is the characteristic climate for each month of the year? During what seasons is rainfall heaviest? In what respects does the climate affect the buying habits of the population?

4. *Financial conditions.* What important industries are located in the territory covered? Do surrounding crop conditions affect local business? What effect do national indus-

trial influences have on local industries? What is the strength of local financial institutions? Have there been labor troubles in this territory? Are wages high or low? What is the outlook for continuous industrial activity?

5. *Transportation.* What is the nature of transportation facilities—steam roads, electric roads, water routes, trolley lines? Are these facilities adequate? Are they improving or declining in efficiency? What is the length of haul? What are the rates? Are they higher or lower than competing districts? What is the number of rural free delivery routes? Are these routes utilized?

6. *Competition.* Do customers prefer a competitive article? What are the reasons for this preference? What percentage of the per capita consumption is secured by the retailer handling our merchandise? What percentage of the per capita consumption is secured by local retailers handling competing lines? What percentage of the per capita consumption goes to near-by cities or mail order houses?[1] Do competing regions possess any vital advantages over the local district? Will these advantages increase or decrease in importance?

Analysis of Demand and Product.—If the manufacturer intends to advertise his product, an analysis of another phase of market demand is necessary, namely, a study of the reasons why people should purchase the product. These reasons or motives for buying cannot be ascertained without an analysis of the characteristics of the commodity and its ability to satisfy certain requirements.

Merchandise falls into two general classes:[2] (1) that which requires an increased expenditure of the customer's money, and (2) that which merely changes the direction of present expenditures. In the first class are two types of goods: (1) a new product which meets an existing and evident need, and (2) a new product whose lack the customer has

[1] See Chap. IX.

[2] C. D. Murphy, What Makes Men Buy? *System*, Sept., 1912.

never felt and which appears to be merely an extra and unnecessary expense. To sell the latter product throws a heavy burden on the sales organization and can be accomplished only by following methods entirely different from those used in selling the former product. In selling a product which meets an existing need—for example, cigars—it is only necessary to explain, describe, and illustrate the product, indicating that it is just what has been needed for a long time. In selling a product the need for which has never been felt—for example, a set of encyclopedias—the customer must be made to feel the disadvantage of being without it. The sales effort must be vigorous and inspiring enough to induce the customer to make an extra effort to earn or save the money required for the unexpected outlay on an article of uncertain need. Failure properly to analyze the product would probably result in confusion of appeals and loss of distribution.

In the second class, made up of familiar goods, are also two types: (1) familiar goods offered in a distinctive manner, and (2) familiar goods offered in the usual manner. With goods of these two types the problem is to change the customer's habit of buying some other brand. Not merely must the brand be suggested, but "reasons why" must be advanced to produce a motive for changing the buying habit. When the housewife decides to purchase a new brand of chocolate, flour, or canned goods, it is almost invariably because genuine reasons have been advanced which have induced her to do so. An analysis of the goods reveals the motives for buying them, and the appeals in advertising and selling which must be used in order to give them successful distribution.

Another Scheme of Commodity Analysis.—The sales manager of a large corporation[8] has divided the analysis of a

[8] R. E. Fowler, *Printers' Ink*, Feb. 18, 1912.

commodity into six classifications: demand, serviceability, quality, price, profit, competition. The study may be outlined as follows:

1. Demand is developed or undeveloped, forced or natural, permanent or seasonable.

2. Serviceability is determined by answers to the following questions: Is the article a necessity? Is it a luxury? Is it a convenience? Is it durable? Is it economical in use?

3. Quality may apply to raw materials, design, workmanship, appearance, and finish. How does the article in question compare with competing articles in these points?

4. Price applies to the jobber, broker, retailer, and consumer. Is the price high, medium, or low? How does it compare with the prices of competing articles?

5. Profit also applies to the jobber, broker, retailer and consumer. Is it larger, equal to, or smaller than on competing lines?

6. Competition is officered by old men or young men, men who are aggressive or lax. Is the competition recent, or long-established? Is it from concerns that are wealthy, or of limited means? What are their sales plans, their advertising campaigns, their policies toward customers? What characterizes their sales managers, their sales force, their credit department's attitude toward customers?

Commodity Analysis and Market Possibilities.—Just as market analysis determines the possibilities for the sale of commodities, so commodity analysis determines to what extent these possibilities are real so far as any particular article is concerned. As the commodity cannot exist apart from the market, neither can the market be considered as distinct from the commodity. Both are part of the same thing—satisfactions. In analyzing commodities, a search is instituted for qualities which correspond to demand, active or latent. If these qualities are discovered, a demand or market for the goods exists—wealth has been created; if no qualities can

be found which thus correspond to active or latent demand, or if such qualities are present only to a slight degree, no demand or market for the goods exists—no wealth has been created (or a less degree of wealth than was anticipated by the manufacturer).

Thus it is seen that wealth or value does not exist unless it exists in the minds of people; unless, that is to say, there is a demand. Creation of goods, therefore, is not necessarily creation of wealth. The latter is obtained only when a market, or demand, is assured for the goods. A market requires buyers as well as sellers; it requires demand as well as supply. If the supply exists but not the demand, the demand must be created; just as when the demand exists but not the supply, the supply must be created. Satisfactions, utilities, wealth, or value cannot exist excepting as counterparts of each other in the minds of buyers and sellers; that is to say, they cannot exist excepting in a market. When this conception of the market is fully realized, more attention will be given to creating markets by analyzing commodities for points of contact, rather than in the mere making of market surveys which often accept values as they exist at the time and not as they may be created. In a very real sense the market is in the goods themselves. Whether or not this market is discovered, depends on the thoroughness of commodity analysis. It must discover satisfactions which correspond to desires that are in consumers' minds.

Advertising and salesmanship are merely vehicles for connecting up these "counterparts of satisfactions." If they are discovered in both commodity and consumer, and properly connected up, the commodity is sold. If the counterparts of satisfactions are not discovered, they cannot be connected up; or if they are discovered but not properly connected up, the sale is lost. Marketing deals with the discovery of the counterparts of satisfactions, and with the market functionaries

whose business it is to make connections between them. It is not to be forgotten that selling is only one phase of making this connection. Sorting, grading, classifying, risk-taking, transportation, financing, etc., are likewise necessary in connecting the counterparts of satisfactions. It might be said that often the selling function merely appears to be the most important because it appears last in the series. Yet in a very real sense the importance of selling overshadows that of the other functions, because no matter how well they have been performed, they have been performed for naught if the goods are not sold. Hence the present-day stress upon advertising and salesmanship.

Counterparts of Satisfactions in Commodities.—Manufacturers are beginning to recognize as never before the possibility of finding the counterparts of satisfactions in commodities. Laboratories are being created and scientific analysts are being employed in the effort to ascertain existing but invisible satisfactions. Cooking-fats, textiles, safety-razors, hammers,[4] tooth-paste, automobiles, office equipment, and hundreds of other articles are undergoing an analysis which a few years ago would have seemed misplaced. But all this is necessary in a buyer's market. Goods are seeking the market. They must be able to show counterparts of satisfactions before they are marketable.

If the article itself has no more counterparts of satisfaction than competing articles, then its container, by means of its label, color, shape, or other device, must provide counterparts of satisfaction which do not exist in competing articles. Hence commercial analysis is not confining itself to the commodity itself, but considers also the appearance of the commodity when it enters the market. Reference has

[4] P. W. Ivey, Elements of Retail Salesmanship, pp. 39-40, New York, The Macmillan Co., 1920.

already been made to the analyses which are being made of the store surroundings when the commodity makes its appearance on the market, and also the character of the service connected with its distribution. Both service-satisfaction and surroundings-satisfactions have their counterpart in the demand, and in reality become a part of the commodity in the customer's mind. Yet these latter analyses should not be confused with pure commodity analyses which seek to discover value or satisfactions which would otherwise remain obscure.

Counterparts of Satisfactions in Consumers.—The counterparts of satisfactions in consumers are known as buying motives or instincts. To study the extent and nature of these feelings, laboratories are being developed under the care of psychologists who understand the make-up of human beings and the sources of human action. Such investigators are determining more and more clearly the kind of advertising and selling appeals that are most suitable for connecting up the counterparts of satisfactions in consumers and merchandise. Laboratory tests of advertisements and sales talks are made with the intent of ascertaining what satisfactions the seller is attempting to emphasize—that is to say, what buying motives he is seeking to influence—and whether the counterparts of these satisfactions exist in the consumer in sufficient force to make an attempted connection worth while. If a satisfactory judgment cannot be arrived at beforehand, the advertisement is run or the sales talk is used, and the results of each are carefully tabulated and analyzed. From masses of such data it has become possible to predict with surprising accuracy the probabilities inherent in sales appeals of connecting counterparts of satisfactions.[5]

---

[5] Tipper, Hotchkiss, Hollingworth, Parsons, Advertising, Its Principles and Practice, Chaps. 6, 7, 13, 40, New York, The Ronald Press Co., 1919.

Kinds of Markets.—While every advertising manufacturer desires a market for his goods the methods pursued in his sales appeals will depend on the exact kind of market he wishes to create. His sales appeals may operate from several different standpoints: reputation, uses, distribution, consumption, sales maintenance, trade-mark, education. Whichever of these markets it is most desirable to create, the selling plan can be worked out accordingly. Some definite kind of market should be the aim of all sales appeals, as only in this way can definite results be secured. At different times in an organization's history different markets will become necessary, and to recognize this need for change and make provision for meeting it is one of the manufacturer's marketing problems.

The ultimate, or consumer market may then be split up into several different kinds of immediate markets, the character of which will be determined by the nature of the sales appeal employed by the sales force, the advertising copy, or a combination of both. Some of the different kinds of immediate markets a manufacturer may desire to create are taken up in the following paragraphs.

A Reputation Market.—While the ultimate purpose of all sales appeals is to create a sales market or a sales maintenance market, the immediate purpose may be merely to create a reputation market. Harmonious relations with the public may often be maintained by analyzing the manufacturing and selling organization, and building up in the minds of consumers a vivid picture of this organization. Confidence being the basis of all successful business relations, a market for public confidence may be the chief preliminary requirement of a sales market. Public utility concerns in recent years have attempted through advertising to create such a market for their organizations, although they already had a monopoly

market for their commodity. They have created good-will for their organizations and secured much public sympathy. Recent advertising by the big packers has had as its aim the creation of a similar market. A bid is made for consumer-confidence in the methods and practices employed by these organizations, as opposed to the ill will stimulated by hostile critics. The creation of a reputation market is becoming of increasing importance as integration continues in the development of large-scale producers and distributors. In such cases, a sales market is entirely dependent in the long run on the thorough development of a reputation market. Which market will be emphasized at any one time depends on conditions of market emphasis.

A "New Use" Market.—When the ultimate market for the usual method of consuming an article is saturated, it may be possible to secure from commodity analysis new uses to which the article may be put, thereby resulting in new lines of consumption and a new sales market. This has become one of the most important developments in the creation of markets. The commercial research bureau has been a large factor in this development through repeated analyses of merchandise and its functions, and through keen appreciation of the possibilities thereby discovered. The advertising man has supplemented the research bureau through his understanding of the buying motives of consumers, which enables him to make an intelligent connection of the counterparts of satisfactions. Close contact with users of the product has also helped to solve the problem of a saturated market. The owner and user of a certain machine, when asked by the manufacturer to tell about its effectiveness, wrote a letter disclosing a secret worth several thousand dollars to the manufacturer—a new and formerly undreamed of function could be performed by reason of a slight alteration. There is little doubt

but that many new uses of almost any article could be ascertained by systematic study of what consumers do with it.

A Sales Maintenance Market.—The ultimate purpose of a sales policy may be to create a sales maintenance market, that is to say, a market in which repeat orders can be safely counted on. If the article is one that is purchased often, while sales may be increasing, this increase may be offset to a large extent by failure to repurchase on the part of old customers. Repeat orders represent a different market from first orders. The sales appeal must be different in each case. The repeat market—a sales maintenance market—may be developed by showing the advantages of continuous use of the product and the circumstances in which it functions most effectively. For example, a certain automobile polish was purchased in quart bottles by automobile owners who felt that they could not afford a new car or a new coat of paint. The sales appeal discovered a market for this product and was successful in selling it. However, the mortality rate of old customers was great although new customers were constantly being found. Not until an effort was made to show the correct manner of application and the advantages of continued use, was a sales maintenance market created.

A Trade-Mark Market.—The immediate purpose of the exploitation of a trade-mark may be to create a distinct market for the trade-mark itself. Perhaps the trade-mark needs individualizing; possibly emphasis needs to be placed on pronunciation or on some similar feature. Many trade-marks were created before the present buyer's market developed, hence they have quite frequently proved themselves inadequate from the standpoints of recognizability, memory retention, and identification. In order to remedy these defects the attempt is made to create a trade-mark market by means of

publicity. It should not be supposed that an attempt to create a market of this nature is developed independently of the creation of the sales market or the sales maintenance market. Often the different kinds of ultimate, or consumer markets are developed simultaneously by co-ordinated sales appeals, but even in this case, specific market analyses have to be made if the marketing of the product is to proceed logically and in the direction of complete market saturation.

An Educated Market.—It may be that a product cannot be completely distributed until the potential buying public has been educated along certain general lines which are no more intimately connected with this particular product than with the product of a competitor, or with some competing article. For example, a manufacturer of vacuum cleaners may stimulate people towards greater cleanliness and as a consequence sell more of his vacuum cleaners, but likewise increase the market of his competitors and perhaps of competing cleaners, such as brooms. This incidental disadvantage of such a campaign, however, may be far outweighed in the long run. Producing an educated market for one's goods may develop a consistent demand which will materially reduce the high operating expense caused by wide fluctuations between slack and peak distribution. Stability is given to the productive and distributing phases of any business when an educated market is created beforehand.

Summary.—It is thus seen that the manufacturer must carefully analyze the channels of marketing, whether they lead through the jobber and retailer to the consumer, or whether a more direct route is followed. Each middleman market discloses through analysis greater possibilities for more economical distribution of goods, while the consumer market is a complex of markets which depend on the nature

of the merchandise and the policy the manufacturer wishes to pursue. A systematic study of markets can be made only by specialists who are familiar with market phenomena and who know how to evaluate the multitudinous influences which have a bearing on the conclusions to be drawn. The intensive study of markets here outlined is necessitated by the development of a buyer's market, which makes it imperative that manufacturers know the extent to which various distributive methods will influence capacity production. It is only capacity production that can make possible the lowering of costs and the lowering of prices, with the consequent well-being for the community. Methods of production determine in the long run methods of distribution, although over a short period of time the latter may seem to dominate. The shifting relationship between production and distribution from time to time necessitates a change in different marketing machinery, and present methods of market analysis are parts of the new distribution machinery necessitated by present conditions.

CHAPTER XI

THE RÔLE OF ADVERTISING IN A BUYER'S MARKET

Comparative Efficiency of Advertising and Salesmanship.—Much has been said against the waste involved in advertising, with the attendant implication that a better quality of salesmanship would be less expensive and more efficient in selling goods. Whether one or the other should be used, in any particular case, for the marketing of goods, depends upon one consideration, viz., which will distribute the largest amount of goods with the least expense? Frequently from 100 advertisements of a commodity, only one sale results. Under such circumstances, advertising might be rated as 1 per cent efficient. If, on the other hand, a salesman had attempted to market the same product, he could perhaps have sold two orders out of three solicitations. In this case he would be considered 66⅔ per cent efficient. In other words, in the case where the product was marketed through the means of advertising there was a waste of 99 per cent, but if the product had been marketed by a salesman there would have been a waste of only 33⅓ per cent.

Such figures, however, have no significance when taken by themselves. The cost per unit of marketing a product may be less when advertising that is 99 per cent wasteful is used than when salesmanship under conditions of only 33⅓ per cent waste is relied upon. Competition dictates the use of the most economical method in marketing commodities, and very often where there is the most apparent waste and lost motion, the least cost per unit exists. Where goods can

be marketed most cheaply by means of advertising, even though of low efficiency, the problem is not one of substituting salesmanship for advertising, but one of increasing the efficiency of the advertising.

Relation of Advertising to Salesmanship.—Advertising should be viewed as a machine method of marketing goods, while salesmanship should be looked upon as a hand method. To sell certain goods, necessitates the personal touch of salesmanship; for selling others, an impersonal force, such as advertising, may be sufficient. The machine, or advertising, method excels in quantity distribution; while the hand, or salesmanship, method has the advantage in quality distribution. In other words, advertising markets goods in a wholesale way, whereas salesmanship markets them by retail methods. As long as goods are different in their nature, both methods of marketing are necessary and desirable.

Sometimes it is advisable at different periods of distribution to use both marketing methods on one product. For example, when typewriters first appeared on the market it was necessary to educate the people to their use by personal salesmanship. After the typewriter became an article of everyday use, advertising was resorted to more generally as a sales medium. The same has been true of aluminum cooking utensils, calculating machines, automobiles, and some other commodities. Advertising, however, is coming to be used more frequently as a missionary force. In so far as it can be substituted for salesmanship, it will eventually cut down the total cost of distribution.

Advertising not only follows salesmanship in distributing some commodities, but it may also precede salesmanship for the purpose of preparing the way for the salesman and minimizing work. Articles sold in retail stores are commonly advertised for this purpose. The customer is given

an idea of the nature of the product before going into the store, thus making necessary less salesmanship effort. Nationally advertised commodities invariably carry a lower margin of profit to the retailer because of this recognized lower expense of selling. In a very real sense they are partially sold before the customer comes into the store.

It is thus seen that advertising may precede, follow, or co-operate with salesmanship in marketing goods, or it may be used exclusively, or be excluded entirely. For certain kinds of goods and under certain circumstances both marketing methods have their advantages. For the most part they must be looked upon as co-operating rather than as competing distributing agencies. One can never entirely displace the other for they are fundamentally related. The most efficient system of distribution demands that commodities be delivered to the consumer at the least cost, hence advertising and salesmanship should be combined so as to accomplish this end.

Effect of Advertising on Competition.—Advertising stimulates competition. When a manufacturer decides to advertise, he exposes his product to attack. From the safe seclusion of verbal assertions and claims, the commodity is led out before competitors' gaze and exposed to scrutiny by means of written assertions, which may be subjected to analysis, neutralized, and refuted. Private claims, made by the salesman to the customer, may profoundly influence the actions of the latter, but whether or not such statements are true can only be determined by the counter claims of competitors, salesmen or by experience. Often the customer is influenced to purchase before salesmen from competing houses have a chance to point out possible defects in the commodity. Where advertising is used, however, one business can see the efforts of the other to get trade, and can accordingly present its rival claims in an effort to attract the consumer's sympathy. Com-

petition thrives best where the respective claims made for merchandise are known by all.

Advertising likewise places competition on a higher level. Without advertising, the attacks of competitors on each other's goods are usually haphazard, malicious, and not founded on fact. On the other hand, a salesman is less likely to condemn a competitor's goods if he knows something about them. Advertising brings merchandise out of the darkness of ignorance and suspicion into the light of fact and reason. Claims may, as a result, be based on the relative merits rather than on the relative demerits of competitive goods. With advertising as a background, salesmanship attains a new dignity, since published assertions can be utilized instead of meaningless superlatives and generalizations.

The customer profits materially from the increased competition caused by advertising and its elevation to a higher plane, for he is given an opportunity to compare the relative merits of competitor's goods, and to judge impartially as to their values. The conclusions reached from this weighing process come much nearer the truth than any judgment formed without the influence of publicity.

Advertising as a Creator of Value.—It is a common error to believe that value is inherent in an article. Value does not reside in merchandise, but in the mind of the customer. In other words, it is a mental concept. The function of advertising is to create value, i.e., to build up in the mind of the reader a high regard for the goods. To accomplish this end expeditiously, every characteristic of the goods must be known, as well as their relationships to closely related facts. Such a process necessitates digging up facts. It also means the co-ordinating of facts. Both of these operations are creating the goods in just as real a sense as did the workmen and machinery which originally fashioned them.

The extent to which the advertisability of the article can be developed depends upon the ingeniousness of the advertiser. The Beech-Nut products are made more valuable in the consumer's eyes by attractive description of the plant atmosphere in which they are produced. The flood of bright light; the immaculate rooms; the well-groomed, cheerful, manicured employees; the sense-satisfying odor of the ingredients; the inviting restrooms for employees; the benevolent management; and many other conditions surrounding the manufacture of these products are made part of the products by the advertising appeal, and increase their value to the consumer.

Distinguishing Similar Products.—It is very often difficult to find an element of value in a commodity that a competing article does not possess. Yet unless some distinguishing characteristic is found, the commodity is lost in the dull uniformity of other competing brands. In some cases where the product apparently has no distinguishing element of value, the clever advertiser has created one. Colgate's tooth-paste illustrates the point. With many tooth-pastes of similar quality and effectiveness on the market, it was necessary to create some feature which would give it a personality all its own, and thus an added value. The distinguishing point that was developed pictured the paste coming out of the tube like a ribbon and lying flat on the brush. This was an obvious advantage over tubes that were not so constructed, and illustrates the creation of a value as regards the use or application of the product, rather than a value inherent in the product.

Another illustration of the same point is that of Log Cabin syrup. A unique can, shaped like a log cabin, creates a distinguishing characteristic which adds value to the product. Furthermore, the log cabin suggests the freshness of the forest, the dripping of the sap, the boiling, the sweet odors from the kettle, the genuineness and purity. The syrup thus

takes on characteristics suggested by the can. Value in the product is thereby created just as truly as when it was manufactured. There is no intrinsic value in this or any other syrup; the value the customer does not see, for him does not exist.

Advertising thus continues creating value where the value-creating manufacturing process leaves off. The advertised value supplements the manufactured value, and often the latter would be largely lost if it were not for the former. Advertising, therefore, preserves value as well as creates it. When the product leaves the factory it is only partially created —only a small fraction of its potential value attaches to it. Advertising must bring out the balance of value, not merely to make the customer buy, but also to preserve what value has already been created in the commodity in the factory.

Effect of Advertising on Unadvertised Goods.—Advertising articles of a certain class tends to increase the sales of unadvertised articles of the same class. Thus, the advertising of one brand of vacuum cleaner tends to sell more of other brands. People become sold on the idea of a vacuum cleaner through advertising, without becoming unalterably opposed to purchasing a brand other than that advertised. The sale of the idea of this method of cleaning is therefore valuable to every manufacturer who is contemplating placing vacuum cleaners on the market.

A more interesting fact is that advertising articles of a certain class tends to increase the sales of unadvertised articles of another class performing a similar function. Thus, the advertising of vacuum cleaners increases the sales of brooms. This illustration goes back a step further than the example cited in the preceding paragraph. Selling the idea of vacuum cleaners is primarily selling the idea of cleanliness, and sweeping with brooms is one way of securing this desirable end. In

advertising any product, it is often necessary to impress the reader with a fundamental idea which is applicable to competing articles of the same class, or of another class performing similar functions. Advertising thus unavoidably affects the sale of products unadvertised, and creates value for objects with which the advertised commodity is only distantly connected.

Advertising as a Demand Control.—Overproduction and underproduction have usually occurred because the manufacturer was, (1) unaware of the tendency of the demand, or, (2) if aware of the tendency of demand, he was powerless in many cases to exert any control over it. Demand as a rule does not just "grow"; it is the result of cultivation—of intensive effort, making use of specialized devices, such as salesmanship, advertising, and reputation. When demand can be created for the output of the factory, both ends of the productive process may be co-ordinated. There are times, however, when factory output, not demand, is the limiting factor in the productive process. At these times of underproduction, the amount of advertising is reduced and demand falls off. An illustration of underproduction for a demand which might be created, is that of the Rubberset products. Little or no new demand is being created because the present demand absorbs all the products that can be made. An increase in the advertising appropriation of this company would swamp their plant with orders which could not be filled. Such a creation of demand would not only be a waste but worst of all a loss of good-will. To preserve present value, advertising is being used scantily for a time. With increased producing facilities in the future, it may again become possible to manufacture demand as well as goods.

Advertising thus prevents waste by avoiding overproduction and underproduction in factories. It promotes factory

efficiency by enabling each individual plant to operate in that stage which is the most effective. Many plants have unused utilities within themselves, which, if used, would reduce the per unit cost of production. In other words, they are capable, with increased production, of getting into the decreasing cost stage. On the other hand, it may be just as desirable to curtail demand so that the costs per unit of product will not rise unduly in comparison with the costs of competitors.

Relation of Advertising to Traditional Marketing Method. —The traditional method of marketing is from manufacturer to jobber, from jobber to retailer, from retailer to consumer. Recent schemes have attempted to eliminate either or both of these middlemen. Obviously, where a link in the marketing process is removed, more pressure is brought to bear on the other links. In other words, while a middleman may be eliminated, his functions or duties cannot be. Such being the case, advertising has been introduced in order to take over some of the duties formerly carried by the eliminated marketing unit. One of these important duties is to find a market for the goods. Another is to stabilize the market after it has been secured. It has been a well-recognized function of advertising, to relieve some of the overworked remaining middlemen.

Can advertising, however, be used economically in the traditional system of marketing where no middlemen have been eliminated? If so, how will it be used, and where will a saving be effected? Advertising is looked upon suspiciously in the traditional system because it is believed that it results in adding more expense to the distribution cost. Such a result does not necessarily follow. Even with the jobber included in the distribution system, the manufacturer's advertising may cut down the total costs of marketing, and in so far as it does, it is entirely justified.

This reduced expense may first appear as a result of the attitude taken by the jobber toward the manufacturer who advertises. If the jobber is assured that there will be a large and steady demand for the manufacturer's goods, he will be much more inclined to push them, thus increasing the outlet for the manufacturer. Enlarging the outlet for the manufacturer's merchandise may reduce his overhead expense per unit of product, and under competitive conditions, he will be inclined to share part of this reduction with the consumer. Advertising in such cases reduces the marketing expense, and finally the price of the goods.

Advertising reduces also the expense of retailing, as shown by the fact that the retailer gets a less margin of profit on the advertised articles. Moreover, the retailer is stimulated, by the consumer-demand created by the advertising, to specialize on merchandise with a quick turnover, thus eliminating costs which usually accrue because of dead stock. This saving under competitive conditions, will, in the long run, be shared with the consumer.

Trade-Names.—A manufacturer who expects his advertising to function freely and efficiently, must consider a great many factors. One important consideration is an adequate name for his product. Many commodities have suffered in competitive advertising because they have been hastily and inadequately christened. Where articles are not to be marketed by means of advertising, it is not so important to give them at the start an adequate name, because the name can be changed later with little loss of good-will; but where the name is to be carried into nearly every home in the distribution territory, a change in name is a matter of serious consequence.

The first prerequisite of an adequate name is that it should be distinctive. There are dozens of Ohio, Standard, Union, and National brands on the market. It is too much to expect

that advertising can successfully market commodities which are thus handicapped at the start. The consumer becomes bewildered upon seeing so many products with the same name, and its lack of distinctiveness permits much substitution and general confusion for which advertising is not to blame, and for which it cannot offer a remedy. If the name of a commodity does not stand out, it is defective as a marketing device, and advertising can only heighten the defect, for it is possible to advertise a defect as well as a virtue.

The second prerequisite is that the name of a product should be easy to pronounce. "Prophylactic," "Glycothymolin," and similar names have never sold an article; the goods so named have been sold on their merit and in spite of their names. "Bon Ami" is daily being pronounced in six different ways, and the employees in the factory where it is made use all six different pronunciations. Foreign words or phrases are especially undesirable, because such a small percentage of the people know the meaning back of the words. A word which cannot be quickly and easily pronounced is not the one to designate a product which is to be marketed by advertising. Customers do not like to be corrected by the salesperson, and many cases have been known where some other brand has been asked for simply because the customer did not desire to take any risk of humiliation.

The third prerequisite is that the name be easy to remember. It is of little consequence to have one's attention attracted by a name, or to be able to pronounce it, if it is not readily remembered when the object is thought of. The advertising may be of the best, but its efficiency as a marketing force is materially reduced if the name is not built on psychological principles. An inefficient name is a leak in the business as much as a loss through theft. Only too often advertising is blamed for failure to get distribution for a commodity, when in reality the fault lies with the conditions against which

the advertising has to work. Not only must the product have merit and the advertising be good, but the name of the product must be such as to become associated in the minds of customers with the object it stands for.

Other Factors of Advertising Efficiency.—The package must likewise be looked upon as an important marketing device. It should be so distinctive that it attracts attention and is easily recalled. If possible, its shape, color, or general appearance should suggest the product itself, and in this way, be an active selling agent. The advertising of a product enclosed in a package which suggests the product is always more efficient than is the case if little or no attention is given to the package as a marketing device.

The price must be within the means of the class of people who are expected to purchase the advertised product. A price that is too high, as well as a price that is too low, places advertising at a disadvantage. A large number of the class that should be appealed to are excluded from considering seriously the product if its price does not conform with their concepts of value. Like the package and the name, the price is a marketing device which is potentially a help or a hindrance to the efficient distribution of goods. It may be that at first the price must be placed below cost, with the expectation that an increasing demand will reduce the costs per unit of product and enable not only the costs to be secured out of the selling price, but likewise a legitimate profit. The whole marketing situation must be analyzed if there is to be no undue handicap placed on advertising.

Another important factor is the geographical area of distribution to be secured for the product. Many a manufacturer has effectually closed the door of advertising to himself by securing too wide a distribution for his product at the start. If the consumption of a product is widely scattered over the

country, it is impossible for advertising to further its distribution economically. The costs of undertaking an advertising campaign which would cover the entire country would be too great for the returns secured. The product would have to be left to its fate, without any aid from the outside. Where the market, such as a state or a country, is intensively cultivated through jobbers and retailers, however, a most effective and efficient advertising campaign can be inaugurated, which may be capable of maintaining or increasing the distribution at a lower cost than could be done by other marketing forces. This is true because of the possibility of using only the mediums which cover the territory.

Relation of Demand to Distribution.—A controversy has raged in some quarters as to whether demand should precede distribution or vice versa. The answer to the question is that they should both proceed simultaneously. To build up demand through advertising before distribution has been provided through the jobber and the retailer, is to lose much of the initial force of advertising; while to develop distribution through the middlemen before consumer-demand has been stimulated, is to lose the confidence of the retailer and jobber because of the slow-turning products which they have accumulated.

This does not mean that advertisements should not be run before the products are placed in the channels of distribution. It merely means that demand should not be created without ability to satisfy it readily. Possibly advertising may need time to develop a satisfactory demand, in which case its actual appearance must obviously precede the introduction of the goods. On the other hand, it may take longer to effect an adequate distribution of the goods than it does to create a demand sufficient to absorb the supply. The whole point to the matter is that when a demand exists a distribution should

likewise exist. They are part of each other and cannot exist efficiently without each other.

Much waste in marketing occurs because these two factors are not correlated. An article is advertised as being "found at your grocer's." On going to the grocer's, he expresses ignorance of the product, but suggests that he has something "just as good." Perhaps the advertisement may have said that if the article was not to be found at the local grocery, it could be obtained by sending the retail price in postage stamps to the company's office. Only one out of a hundred people who have been taught by the advertisement to demand the article will go to this trouble, and soon the matter is forgotten and a substitute article comes into use. All such wastes are ultimately paid for by society, and, therefore, it is to the interest of consumers in general to co-operate with present-day marketing agencies in eliminating all such inefficiencies.

Selling the Retailer and Jobber.—Many advertising campaigns have a large element of waste in them because they rely primarily on selling their idea to the consumer, and overlook the retailer. Experience has proved that very few products can be so effectively portrayed before the eyes of consumers that substitution cannot be accomplished by the retailer. The latter is personally in touch with the customer and can belittle a competing advertised product without fear of rebuttal. Salesmanship has an advantage over advertising which the latter must recognize. When the pressing of this advantage is stimulated by the efforts of the jobber who is offering a private brand with a larger margin of profit to himself and the retailer, the advertising manufacturer may well consider the necessity of selling the idea of his product to the retailer and jobber at the same time that he is selling it to the consumer.

Because advertising manufacturers are recognizing this

necessity, they are sending out traveling salesmen whose purpose is not so much to sell the goods as to sell the idea of the goods. The retailer must have confidence in the merchandise and desire to handle it, even though it carries a lower margin of profit than some obscure brands that he might be able to get to fill the same demand. The consumer-demand cannot force the retailer to stock his shelves; he must voluntarily do that on the basis of a belief in the goods and in his ability to make a profit from them. The jobber must likewise be induced, not coerced, to push the advertised goods. The jobber has always found methods of side-stepping coercion. His loyalty to the manufacturer must have a material as well as a sentimental basis.

CHAPTER XII

THE INCIDENCE OF ADVERTISING COSTS

Lack of Scientific Analyses of Subject.—The incidence of advertising costs has from time to time been given some space in trade papers and has been discussed by advertising men at their conferences. Despite these activities, little of a scientific nature has been brought out concerning it. Contradictory opinions and statements regarding the ultimate location of advertising costs have tended only to confuse the situation. Hart, Schaffner and Marx tell their dealers that they are able to keep their prices down because of the large distribution that results from advertising, while on the other hand, a small competitor of this house tells its trade that it can undersell Hart, Schaffner and Marx because it does not have to burden the prices of its men's ready-to-wear apparel with advertising costs. Moreover, that a great many people believe the consumer always pays for advertising can be verified by questioning those about us. As to what they mean by saying that "the consumer pays for advertising," it is not always apparent to themselves or to others.

The Two Implications of Incidence.—In view of what has been said, it is necessary in attacking this problem to ask what is meant by the question, "Does the consumer pay the costs of advertising?" This question may have either of two meanings: (1) whether or not consumers taken collectively pay for all the expenses of advertising viewed in the aggregate, and (2) whether or not the consumer of a certain article always pays for the expense of advertising that article.

In discussing what is involved by the first meaning, very little time need be spent. It is obvious that all the expenses of distribution, which include advertising expense, in the United States, or in any state, town, or store, must be met by the aggregate income of the unit considered. To say, from this viewpoint, that the consumer bears the costs of advertising, is merely to state a truism. All persons are consumers, and taken collectively, must meet all the expenses of distribution. It seems quite certain, therefore, that this meaning is not the one usually attached to the question under consideration.

The usual meaning then of the question, "Does the consumer pay the cost of advertising?" is, "Does the consumer pay for the advertising on the article he buys?" An adequate answer will necessitate a brief consideration of price fixation under five different conditions of distribution:

1. Constant cost
2. Increasing cost
3. Decreasing cost
4. Fixed supply
5. Joint cost

These conditions of distribution may prevail in industries as a whole, at any given time, or in individual manufacturing establishments at different periods of their activity.

1. Distribution Under Constant Costs

Definition of Constant-Cost Goods.—Constant-cost goods may be defined as goods of which the cost of distribution per unit remains constant between certain limits of increased or decreased distribution. Many manufactured products reach the ultimate consumer under these conditions. For example, a certain patent safety pin can be distributed at the same cost per pin whether 500,000 or 1,000,000 safety pins

are distributed. If there were a demand for more than 1,000,000, there might be a slight increase in cost, but this new cost figure would remain constant between limits of distribution, let us say, 1,000,000 and 1,500,000. Similar conditions to these hold true for a large number of sales organizations.

Cost is the main determinant of the price of a constant-cost article—the demand for the article being assured—and the question whether the consumer of such an article pays for the advertising of that article resolves itself into this: Does the advertising appropriation increase the distributing cost per unit of a constant-cost article? The answer must of course be in the affirmative, since no matter how extensive a distribution of the article is effected through advertising, the distributing cost per unit increases to the extent of the advertising costs; and since the costs of distribution are higher than before the advertising appropriation was made, the selling price must be correspondingly higher. Whenever the consumer is unwilling to pay this higher price, the article is withdrawn from the market, distribution is cut down, and production eventually stops. This ability to withdraw the supply from the market is, of course, the vital factor in upholding the price level. Under competitive conditions it cannot always be effected so promptly as under monopolistic control, but even in the former case it is no doubt true that industry, often quite promptly, readjusts itself and produces that which is demanded at a price which will cover all costs.

Non-Advertising Competitors.—The above situation assumes that competitors working under constant-cost conditions, are all advertising in order to increase their distribution. The opposite situation might, however, be true. Some competitors may have lower distribution costs because they are not advertising, and because of the resulting lower selling

prices, may put the advertising firms out of business or make them reduce their advertising expenses; especially if the demand can be supplied by the productive capacities of the non-advertisers. But with increased demand, the constant-cost manufacturers who are advertising may be compelled to supply a very important part of the demand. They can then increase their distribution by advertising and shift their advertising expenses to the consumer by raising selling prices.

Other manufacturers working under these cost conditions, who are not advertising and whose distribution costs are therefore not as high as the distribution costs of the manufacturers who are advertising, will nevertheless raise their selling price to the level of the manufacturers with the greatest distribution costs, and in this way make an extra profit. Here would be a case where not only the price of the article has risen to the extent of the advertising costs incurred by a few manufacturers, but also where a large sum, not attributable to advertising costs, is secured from the consumers of these articles by manufacturers who are not advertising. Hence, the consumers, taken collectively, pay more than the total costs of advertising, as well as the total of old costs; while the consumer, taken individually, pays only the old distribution costs plus the advertising costs.

Incidence under Excessive Competition.—If the increase in demand appears to be of a permanent nature, the entrance into the market of new manufacturers becomes a certainty. Whether or not these new manufacturers advertise depends upon a great many circumstances, but chiefly upon the intensity of the demand relative to the supply of this kind of goods. If the new manufacturers are more numerous than the demand warrants, each of them will endeavor to control the market. Advertising will probably be one of the means to this end, and the immediately resulting price will most likely

not be high enough to include all advertising costs. Therefore, manufacturers of advertised constant-cost goods must either lose money for a time, with the hope of driving weaker competitors from the market, or they must cut down their advertising appropriations.

In either case, the consumer does not pay the costs of advertising. As the stronger organizations, however, force the weaker out of business by lowering prices below distribution cost, they are able to raise their selling price to cover all distribution costs, including advertising. Large organizations, while enjoying no immediate reduction in unit distribution costs through advertising, nevertheless continue to advertise in order to hold the market against all newcomers. They hold the market in the hope, also, that large-scale distribution will ultimately permit distribution under decreasing cost conditions, and thus lay a permanent basis for larger profits.

2. Distribution Under Increasing Costs

Definition of Increasing-Cost Goods.—The second condition of distribution under which some sales organizations of factories work is that of increasing costs. By saying that goods are being distributed under increasing costs, we mean that costs of distribution per unit of product are increasing more than proportionately to the increase in units distributed. This classification might seem less important than the others, since it might be presumed that no sales organization would distribute for any length of time under such inefficient conditions. This however, is not true, since many sales organizations of manufacturing establishments pass through this stage of distribution in emerging from constant-cost distribution, or before going into decreasing-cost distribution; and many of them often distribute for long periods of time under these conditions, for various reasons, such as delay in securing

capital to increase the distributive facilities, or because of sluggishness of demand which necessitates the continuing of the old distributing capacity.

Marginal and Supramarginal Manufacturers.—Many of these manufacturers, by reason of better sales organizations and more up-to-date methods, are distributing at a less cost than others. These men who are distributing at a less cost might be called supramarginal manufacturers, and the men who are working under increased inconveniences and with less progressive distributive appliances, and whose costs are therefore greater, may be called marginal manufacturers. If only 80 per cent of the total product demanded can be distributed by the supramarginal manufacturers, the remaining 20 per cent must then be distributed by the marginal manufacturers; in which case the latter are absolutely necessary to satisfy the demand for the product from this industry. Because of this fact, their cost of distribution will determine the selling price of the article, since the highest distribution costs must be met if this 20 per cent of the product is to be forthcoming. As the cost of distribution of the marginal manufacturers is greater than that of the supramarginal, and the selling price the same for both, it follows that the latter class of producers will be making a greater margin of profit than the former. As distribution at increasing costs has been assumed in this case, there would not be much incentive to increase distribution by means of advertising, but there might be a strong incentive to hold the present market or to cut down selling expenses by means of publicity.

Advertising Expense When Included in Selling Price.—Why are supramarginal manufacturers more efficient? Why are their costs of distribution per unit less? There may be a great many reasons for the existence of these conditions,

but perhaps one cause for their lower distribution costs is the fact that they are carrying on an extensive advertising campaign. And, conversely, it is probably true that the distribution costs of the marginal manufacturers are high because these producers have a poor sales organization and have not reduced their distribution expense by an aggressive advertising policy. It is clear, then, that the unit of distribution cost of the marginal manufacturer may not include any expense for advertising. Yet it is this distribution cost that fixes the selling price. Thus it is seen that the selling price may have no element of advertising expense in it, and in such cases advertising costs would not be paid by the consumer.

As has been said, all the supramarginal manufacturers, by advertising, may have decreased materially their costs of distribution or may have succeeded only in holding the market against others. If forced to, they could actually sell their product for less than they do, because their distribution costs per unit of product are much less than those of the marginal manufacturer; but since the demand cannot be met by these supramarginal manufacturers alone, these producers are reluctant to reduce their selling price to meet their lower distribution costs until competition forces such a reduction. If, however, the demand for this product should drop 20 per cent, the marginal manufacturers would be the first to leave the market, in which case the demand could be supplied entirely by the supramarginal manufacturers. Competition among these more efficient manufacturers might then enter in, and the selling price would probably be reduced to the new costs. Of course, in this case, the selling price would actually include the advertising appropriation.

Deferred Payment of Advertising Costs.—The increase in costs per unit as a consequence of greater distribution may not

be shifted immediately by the supramarginal manufacturers to the consumer, due to keen competition or lack of good-will, but may be considered as promotion costs and spread over a period of years or treated as an investment. There seems to be a growing tendency to treat as an investment advertising costs which increase good-will but which cannot be immediately recouped in the selling price.

Of course, advertising costs which merely maintain distribution should be considered an expense. The same is true of advertising costs which seek primarily to secure distribution. This applies to goods which are purchased only once or twice in a lifetime With these goods, if a competitor gets the one sale, the manufacturer cannot hope to sell that person again. If, however, merchandise is of such a character that it is quickly consumed, even though a competitor gets the first sale a second soon becomes possible, and the manufacturer's advertising which secures this may justly be called good-will advertising and treated as an investment.

Many manufacturers at different times in their history have treated advertising in this manner, and have later written off the good-will item when the anticipated future earnings materialized. In these cases, the consumer of these products did not pay for the advertising costs; these were finally absorbed by lower per unit distribution costs when the organization reached the stage of decreasing costs. Other concerns have left the good-will item in their balance sheets and have only taken out of operating expenses interest on this amount. Hence, consumers have paid for only a portion of the advertising costs in these cases.

3. Distribution Under Decreasing Costs

Definition of Decreasing-Cost Goods.—The third classification of distribution is that of decreasing costs. This classification is perhaps more important than all the rest, because

a very large percentage of manufactured goods are distributed under decreasing costs. In industries where this is true, the cost of distribution per unit of product decreases more than proportionately to the increase in units distributed. Examples of decreasing-cost industries are to be found in many large plants where all the distribution utilities of sales organizations are not fully utilized. For instance, in the large sales organizations of the packers, distribution can increase between wide limits and still show a continuously decreasing cost per unit of product.

Price Determinant.—In this classification of industries there are likewise marginal and supramarginal manufacturers; in other words, those who are working under the most adverse circumstances—under the highest distribution costs—and those who are working under more favorable conditions, with less distribution expense per unit of product. From the standpoint of price-fixation decreasing costs are the reverse of increasing costs, because under the former condition of distribution the price is fixed, not by the manufacturers who distribute to the greatest disadvantage, but by the largest and most progressive manufacturers. If there is any increased demand for the product, the supply to meet it would naturally come from the larger plants, where a more complete utilization of the fixed investment in distribution facilities would decrease the costs of distribution per unit of product and enable these manufacturers to lower their selling price. On the other hand, since the smaller establishments are often unable to lower their distribution costs in the same proportion they drop out of existence, and resign the market to the larger concerns which are able to hold it by still further increasing their distribution, lowering their distribution costs and their selling price, and stimulating and developing new increments of demand.

Where Consumer Bears Expense Levies.—Does the consumer of decreasing-cost goods pay for their advertising? Since this classification comprises many of the goods daily consumed, it may be well to spend a little more time analyzing the possibilities of the situation. To begin with, the principle may be laid down that any charge or expense levied against an article is only borne by the consumer when the effect of such levy is an increase of price. Thus a tax of $1 on each pair of shoes, having a distribution cost of $5, would make necessary a distribution price of $6. In this instance, the price of a pair of shoes rose from $5 to $6, hence the consumer pays the tax. Again, suppose a law made necessary the introduction of devices to protect employees from being injured by machinery. This new levy against the product would most likely result in an increase of price to the consumer, since it would not enlarge the distribution of the article. If the new levy of expense could have resulted in a wider distribution of the article, and if the overhead did not increase proportionately to the increase of distribution, then there would have been a *less* distribution charge against each unit of product; in other words, the distribution cost of each unit would have been reduced. Now, if competition were active, the selling price would be forced down to this new cost, and instead of being higher because of the new levy of expense against it, the price would actually be lower than it previously had been because the distribution cost was lower. Hence the consumer would not be bearing the new levy of expense.

Advertising Expense and Distribution—Ratio of Increase.—As regards advertising, can it be shown that it actually increases the distribution of some goods, and that in these cases overhead does not increase in the same proportion as the increase of distribution? If these two points can be shown conclusively, then it is true that the distribution cost per unit

is decreasing as the distribution increases, and with active competition, the selling price will tend to fall toward the cost price. The phrase, "tend to fall," is used because it might be some time before competition would become strong enough to affect the market. But when this competition becomes able to meet a large part of the demand, it could afford to lower its prices to meet its decreasing distribution costs; and the other manufacturers of goods would have to follow suit or be forced out of the market, all other conditions of quality, service, and the like, being equal.

Effect of Advertising on Costs.—That advertising increases distribution for decreasing-cost goods, resulting in lower per-unit production and distribution costs, is a fact that can be verified by many concrete instances.[2] The example of carborundum is a case in point. In 1893 a chemist in a little town in Pennsylvania accidentally created carborundum. He was experimenting with electric current, which he introduced into an iron bowl containing some clay and crushed coke. When the carbon was removed, he perceived that tiny, shiny, blue crystals stuck to it. He found that they were as hard as diamonds and could be used to polish gems. Before this time, diamond dust, selling at 70 cents a carat, was used for this purpose; but it was now displaced by carborundum which could be produced for 40 cents a carat, or $880 a pound. With a narrow market it would be difficult to reduce

[2] As regards costs, a commodity may be considered from the standpoint of production as well as of distribution. If the former standpoint is considered, a decreasing-cost commodity may be defined as one, the costs of production per unit of which, decrease more than proportionately to the increase in the number of units produced. An increase in volume, therefore, as regards some commodities, tends to reduce the per unit cost of manufacture as well as the per unit cost of distribution. An industry in which an increase in volume has both these effects may be termed a double decreasing-cost industry, and a commodity produced in such an industry may be termed a double decreasing-cost commodity. It is possible, of course, for a product to be manufactured under a different classification of costs than it is distributed under and vice versa. In such instances, any reduction in per unit cost of distribution due to volume may be offset by an increased cost per unit of manufacture, or vice versa.

the unit cost of production. A wide demand had to be secured, new uses had to be found, which could be accomplished only when the merits of the product were thoroughly known. With this purpose in mind, advertising was extensively used; and, as a result, demand rose at a rapid rate, necessitating new methods of production, since the productive capacity heretofore had been only 50 pounds a year. How advertising and intensive selling methods acquainted the people throughout the country with the merits of this article, is a story that reads like fiction. Suffice it to say that because of the demand for this product, which eventually became enormous and which permitted large-scale production, and because of internal economies, the production and distribution costs fell. The selling price per pound dropped successively from $880 to $440, then to $10, while in 1919 it sold for 12 cents. A drop from the price of diamond-dust to the price of common emery in a period of 24 years was the result, at least to some extent, of educating the public to the uses to which carborundum could be put.

Effect of Advertising on Prices.—According to our premise, the consumer only bears an expense levied against an article when the price of the article is raised directly because of that levy of expense. Now it has been shown that in some cases prices fall because of a levy of advertising expense, and under such situations it is difficult to see how the consumer is bearing the expense, as some have maintained. It might be said that the new price set by competition, after advertising has done its work, embraces the costs of production and distribution, and since advertising is one of these costs, consumers must pay this cost as well as all others. It does not mean, however, that consumers are being burdened, as the phrases, "bearing the cost of distribution," or "paying for advertising," imply.

In this connection, it might be asked whether the consumer of shoes and clothing, in the middle of the last century, "paid for" the expenses incident to the introduction of the sewing machine. He secured his shoes and clothing at a lower price and they were of better quality and workmanship. It might be more accurate to say that he profited by the change in methods of production rather than to say that he paid for them. The consumer paid nothing extra for shoes and clothing; in fact, he paid less for them. And so at the present time, if there is an introduction of a new and economical method by which distribution of goods can be increased materially without a proportional increase in expense, then mankind is benefited and pays lower, not higher, prices.

No one will hold that increases in efficiency of distribution are any less desirable than increases in efficiency of production. No matter how efficiently goods can be produced on the sewing machine, if they cannot be distributed economically prices to the consumer will be high. New inventions for making distribution efficient are only recently coming to the front, because the emphasis to date has been laid on increasing the effectiveness of production. But when it is realized that a large portion of the selling price of any article consists of the expenses of distribution, it must be evident that new distribution methods are necessary if the prices of necessities are to be reduced and the use of luxuries increased among a larger number of people.

In analyzing this question of whether the consumer of decreasing-cost goods pays the cost of advertising them, two situations must be recognized. The first situation is one in which distribution has been increased without increasing the overhead charges proportionately. During the early stages of this period, there is no doubt a time when competition has not become active. If price is not reduced, it might be said that the consumer is paying for the advertising. But it would

be more accurate to say that the consumer is paying high prices because of lack of competition, or because of temporary monopoly. As competition becomes more effective, the price falls to meet the new costs. Advertising brings about this fall in price, because no matter how much the monopoly might have been broken by competition, the price could not have fallen if the distribution costs had not been reduced because of the wider distribution that resulted from advertising.

Eliminated Advertising Expense—Effect on Consumer.—The second situation is one in which the prices have ceased falling and a new standard of prices has been set up. Suppose the price of the article was formerly $2 and is now $1.25. If the advertising expenses are included in the cost of distribution, are they not added to the price that the consumer has to pay? To state this differently, would the consumer pay less than $1.25 if advertising was not included in the expenses of distribution? The answer must be in the negative, because in many cases, if advertising were discontinued the distribution would fall off; and since the overhead would not decline in proportion to the decreased returns due to falling sales, the distribution cost per unit of product would increase. With rising distribution costs, selling prices would have to rise—hence the consumer would have to pay more than $1.25. If the producer did not increase his selling price, he would have to go out of business on account of his rising distribution costs. If on the other hand he did increase his selling prices, his competitors who had a lower distribution cost per unit because of advertising would undersell him, and he would have to reduce his prices to their former level. Hence he could stay in business upon one condition only, viz., that he increase his distribution to such an extent that his distribution costs per unit of product would enable him to meet his competitors' prices on the open market.

That the distribution would fall off in a great many cases were advertising discontinued, is a fact substantiated by much concrete evidence. A well-known example is the decreased distribution of St. Joseph's Oil. This product had an exceedingly wide distribution when the president and owner of the business died. His estate was desirous of cutting down all unnecessary expenses connected with the business, and unfortunately placed advertising expenses in this class. Old advertising contracts were not renewed and new ones were canceled. Quite soon St. Joseph's Oil no more graced the pages of the country newspapers and other periodicals. With the disappearance of advertising, sales began to decline. It was only a matter of months when this well-known product had merely a local demand, while distribution per unit costs rose tremendously.

Advertising a Cost, Not a Burden.—Finally, however, if the critic pins us down to the one point, viz., whether the $1.25 does not actually include the advertising costs, just as it includes all salaries, rent, light, and so forth, we shall be compelled to assent. The $1.25 does include the advertising costs as well as all other costs. Does the admission of this fact, however, leave the implication that advertising is a burden upon the consumer? It may, or it may not. The popular interpretation of the word "costs" is that it denotes inutility, irksomeness, a weight on distribution, a burden. If this conception of costs is dominant in the minds of people, then to say that the consumer pays the costs of advertising is misleading.

Failure to Advertise—Effect on Consumer.—On the other hand, if it is seen that advertising instead of being a "cost," in the usual meaning of the word, is really a device by which costs of distribution are reduced, then would it not make the

situation clearer if it were said that the consumer would pay for failure to advertise, rather than that he pays for the advertising? But if the consumer of a decreasing-cost article pays more money for it simply because the producer failed to advertise it adequately, how can it be said, when this article is advertised, that the consumer pays for its advertising, when he actually secures the article for a less price—due to advertising?

The only way out of this dilemma is to recognize that all distribution costs, including advertising, are included in prices of decreasing-cost goods; but if it were not for the advertising expenditure the consumer would pay more for commodities of this nature. In other words, consumers of decreasing-cost goods "pay" for all improvements in technique of their production and distribution, but they would pay more if such improvements were not made.

CHAPTER XIII

THE INCIDENCE OF ADVERTISING COSTS (CONTINUED)

4. DISTRIBUTION OF FIXED SUPPLY

Definition of Fixed Supply Goods.—The fourth condition of distribution to be considered in a discussion of the incidence of advertising costs is that where the supply of goods is fixed. Fixed-supply goods present a very interesting classification. They may be defined as goods that are fixed in amount relative to demand. An instance of this may be found in the case of houses in a town that is growing so rapidly that houses cannot be built fast enough to take care of all newcomers, or in a town declining so rapidly that the houses cannot be taken off the market as fast as people move away. Examples of goods absolutely fixed in supply are: rare paintings, old postage-stamps and coins, out-of-date stocks of goods, autographs of men who are dead, books out of print, land (in some cases), antique oriental rugs, and the like.

Strength of Demand.—No matter what the demand for goods of this nature, it is impossible either to increase or decrease the supply. Price in these instances is not fixed by cost, but by the value that consumers place on the goods. We see merchants selling last season's ladies' suits for $32, although they actually cost twice that amount. Men's hats that at the beginning of the season would have brought $8, may at the end of it sell for $3.50. Whatever price these

old stocks sell for rests largely with the consumer. The same holds true with old coins and postage-stamps, antique furniture, and oriental rugs. What these articles sell for depends on whether people are making collections of them—perhaps because of some sentimental value they attach to them—not on cost.

Now if these articles are advertised, costs of distribution may or may not be increased; but since costs are not the determining factor in fixing price, the consumer does not necessarily pay for this expense. The word "necessarily" is used because it is altogether probable that the owner of the articles will get all expenses connected with their distribution, if demand is intense enough to warrant a price to include them. But it is just as true that no matter what expenses he has undergone, these cannot be shifted to the consumer unless the consumer's desire will warrant their payment; or possibly, unless the fixed-supply commodity is controlled by a monopoly, and can be placed on the market in small amounts in such a way as to cause an artificial scarcity and make a relatively more intense demand for the limited stock. By this latter method, even though only a portion of the stock is sold, the gross receipts might be large enough to cover all expenses incident to handling; whereas, if the entire stock had all been sold on the market at once, loss might have ensued. Such methods have been adopted by banana, cotton, and tobacco producers, whose goods are fixed in supply between seasons. A portion of the stock of perishable goods has, in some instances, been destroyed in order to insure gross returns on the balance of the supply large enough to pay expenses.

Nature of Goods.—The crux of the situation, then, as to whether the consumer will be forced to pay all expenses of production and distribution, is whether or not the product can be taken off the market indefinitely and later on rein-

troduced in instalments. In the case of city lots, it often happens that no matter whether $2,000 or $10,000 was paid for a lot, if the city declines in population, or industries die or leave, the lots, being held by many different persons, must all be placed on the market at the same time if anything whatever is to be received for them; and the intensity of the demand for these lots is the sole determinant of what they will sell for—not what they originally cost the holders. On the other hand, in a rapidly growing city like Detroit, in the year 1914, what lots sold for in certain parts of the city had no relation to cost. Supply was relatively fixed, and demand forced prices far above a figure that would have taken care of original cost and all expenses of advertising and handling. In this case, consumers did not pay a higher price due to expenses of distribution, but they paid a high price because of the nature of the goods with which they had to deal.

Incidence Under Fixed-Supply Distribution.—The incidence of advertising costs on fixed-supply goods is in striking contrast to the ultimate incidence of advertising costs on constant-cost goods. In the latter case, the cost price is known and must as a rule be fully met by the selling price, or distribution will cease. In other words, taking demand for granted, cost determines price. In the case of fixed-supply goods, however, there are many instances where the supply cannot be removed from the market, the exception to this being where the product is controlled by a monopoly. The supply being already in existence, demand determines the price.

If space permitted, many more examples could be given to show that the price of fixed-supply goods may or may not include all expenses (including advertising) incident to their sale. Enough has been said, however, to indicate that goods of this classification are numerous and must be taken into

consideration in any effort to determine the incidence of advertising costs.

5. Distribution Under Joint Costs

Definition of Joint-Cost Goods.—Joint-cost goods are those that of necessity emerge from any productive or distributive process, whether or not the intention exists to produce or distribute these products. Joint-cost goods include not only those produced or distributed because of physical necessity, but also those produced or distributed in an establishment because of custom or usage. Examples of the latter class of goods are certain products like flour, sugar, butter, and eggs, carried by every grocer. From investigations made by the writer (1917-1919) it has been found that practically all grocers are losing money on these four products. By losing money is meant the securing of the original purchase price but only part or none of the overhead properly chargeable to these products. Most grocers would be glad to be relieved of handling these bulky and perishable articles at a loss, but custom demands that grocers supply them and competition enforces this demand.

Goods Produced of Physical Necessity.—Examples are numerous of the class of joint-cost goods produced or distributed because of physical necessity. In recent times, these cases of joint-cost goods have been greatly multiplied by reason of the scientific and industrial development which has made possible the utilization of by-products. An illustration of this occurs in the refining of petroleum, which yields not only common illuminating oil—kerosene—but also vaseline, gasoline, naphtha, and so forth. Again, coal tar, resulting from the distillation of coal for the making of gas, yields a whole line of products, including drugs, perfumes, and a large number of dyes.

In case joint-cost goods emerge from the productive process because of physical necessity, it is difficult, if not impossible, to allocate to each individual product its share of the costs of production which are properly chargeable to it. Moreover, in most cases of this kind the costs cannot accurately be determined. How, then, is the selling price determined?

The answer is that each product will have a price that will equalize supply and demand for that product. This price may be above or below the actual cost of production and distribution of the article, but one thing is certain: the sum of the individual selling prices of the different products must be large enough to meet all of the joint costs of production and distribution. This statement is true, because if all of the costs were not received supply would be cut down, and with demand remaining the same, buyers would necessarily bid the price up to the old figure. This must to some extent be considered a "long-time" point of view, since at any moment of time, for instance between seasons of production, the products are practically fixed in amount and may sell for a price above or below the joint costs of production and distribution, depending entirely upon the intensity of demand.

If goods of this character are advertised, it would seem therefore that advertising costs may or may not be included in the selling price, since this selling price is merely the monetary representation of the value of the goods, as it is believed to exist by consumers in the particular market in which these goods are found. Furthermore, it has been intimated that even where joint-cost goods that emerge from productive and distributive processes because of physical necessity are not fixed in supply, their individual costs are often unknown, and therefore their selling prices may or may not include all the costs of distribution including advertising.

Distribution Because of Custom.—The other class of joint-cost goods emerge from the productive or distributive process because of custom or usage. For example, the retail grocer cannot sell canned goods and vegetables without dealing also in flour, sugar, butter, and eggs. The overhead is known, often exactly, in percentage to gross sales, but this percentage cannot be added to the billed cost of these goods because custom will not permit. Since advertising is one of the expenses included in the overhead, it must be obvious that this cost is not included in the selling price, and hence is not borne by the consumer of these particular articles. The consumer would, however, pay the expenses on these articles should he purchase all of his other groceries at this one store. Then the consumer would be paying a higher price for some articles owing to the fact that he was paying a lower price for others, since the gross income of the store must at least equal the total expense if the business is to remain solvent.

Manufacturing concerns producing and distributing several articles the intensity of demand for which differs, may, and no doubt do, charge against each different percentages of cost and profit. That is, the mark-up on each is different. They are merely making use of the principle applied in the railroad industry of "charging what the traffic will bear." If one product is not able to bear its full production and distribution costs, some other article produced by the same plant must bear more than its quota of expense. Unless the same customer buys both of these articles, he does not necessarily pay all the costs of advertising. He may pay more of these costs, or he may pay less, all depending on what articles he buys.

Lack of Cost Knowledge.—It may further be said that no matter what classification of costs distribution may be under, or in what stage of costs an individual establishment may be producing, if the costs of each product are not

accurately known, it is impossible to decide whether or not the consumer is paying for the advertising on the goods that he buys, since advertising is one of the costs. Unfortunately the costs of production and distribution of individual products are not accurately known in many manufacturing and distributing establishments. In these establishments cost accounting has made little progress and guesswork rules supreme. Many businesses know whether or not they are getting sufficient gross receipts to cover operating expenses and fixed charges, but further than this they do not go.

This lack of cost knowledge is exemplified especially in retail stores. Only a few proprietors take the time to apportion the cost of so much light, heat, rent of floor space, and delivery to each individual article. They merely divide gross sales into the total expenses in order to determine the mark-up. Sometimes even this is not done, or if done it is too low to cover all costs.

Summary.—Consumers of constant-cost goods that are being currently distributed pay for the costs of advertising them, since the advertising increases the costs of distributing these goods. Consumers of increasing-cost goods may or may not pay for advertising these goods, depending entirely on whether or not the marginal manufacturers are making advertising appropriations. If they are not advertising, the consumer of their goods does not pay for the advertising of the other producers; if the marginal manufacturers are advertising, the consumer pays higher prices because of this fact. Consumers of decreasing-cost goods pay for advertising these goods, but in many cases they would pay more if goods of this character were not advertised. Consumers of fixed-supply goods may or may not pay for advertising these goods. If the demand is great, relative to the supply, the consumer will bear the advertising costs; but with a relatively low demand,

the producer or owner of these goods will be forced to bear the advertising costs—unless the goods are owned by a monopoly. Finally, the consumer of joint-cost goods pays for advertising each of them if he purchases all of the products that come from the one productive or distributive process. If, however, he purchases less than all the products, he may or may not pay for the advertising of them, depending entirely on the intensity of the demand relative to the supply of each.

It should be said that the propositions herein maintained are not intended to decide conclusively the incidence of advertising costs. The purpose of this discussion has been fulfilled if it indicates the complexity of the situation, and the care that must be taken in securing concrete data before any generalizations of an authoritative character are made.

The Incidence of Advertising Costs on Well-Known Brands.—As an attempt to secure such concrete data, *Printers' Ink* a few years ago sent a questionnaire to a number of leading manufacturers of branded merchandise. In this questionnaire the manufacturers were asked:[1]

> Can you give us some definite figures proving that since you began advertising one of three things is true: (1) Prices of your goods have been reduced as a result of the larger output secured through advertising. (2) Quality or intrinsic value of goods has been increased. (3) If neither proposition can be proven, can you show that price and quality have remained stable in face of increased cost of raw material and workmanship?

The following are miscellaneous excerpts from some of the replies received:

DIOXOGEN

In the case of Dioxogen, some two or three years ago, reduced costs of manufacture, due to larger production, induced us to increase

[1] *Printers' Ink*, January 22, 1914, p. 3.

the size of our package $33^1/_3$ per cent each on two sizes, and 25 per cent on the third size, without any change of prices whatever, either to jobber, retailer or consumer.

HART, SHAFFNER AND MARX CLOTHES

Volume alone would have enabled us to decrease the cost of the goods; but advertising has undoubtedly decreased also the cost of selling. It costs to sell our goods only half as much as it cost fifteen years ago; we figure the advertising as part of the cost of selling.

KODAKS

Largely increased output means economies in every direction, but especially in the matter of automatic machinery, which makes it possible to turn out uniform goods at greatly reduced costs. It means a reduction in overhead expenses that more than offsets the advertising expense, which is, of course, a part of such overhead.[2]

MALLORY HATS

Since starting to advertise in 1906, our sales have increased 270 per cent. This increased demand for Mallory hats which our advertising has created enables us to run our factory on full time the year round, making a great reduction in overhead charges. Formerly, in common with all manufacturers of unadvertised hats, we were able to run to full capacity just during the two hat-buying seasons of the year, with a long, dull period between each season.

Since starting to advertise in 1906 we have made a saving of 17 per cent in the total cost of selling Mallory hats. This saving, which amounts to 7 cents on every hat we manufacture, more than pays our advertising appropriation. The savings in selling expenses has largely been brought about through the increased demand for Mallory hats which our advertising has created, with little or no increased traveling expenses. Formerly our salesmen could not interest dealers in every town and city they visited; and now they

[2] Since 1888, the year in which national advertising was commenced, and the year the Kodak was first placed on the market, the $25 camera has fallen to $10, and the $60 one to $20. The retail selling price of the films has not been reduced, but the film itself has been greatly improved and the dealer's margin of profit increased.

sell many dealers in every place visited, and in quantities which are constantly increasing.

This great saving in our manufacturing and selling expense is largely due to advertising, and the consumer is benefited by it because we can now give better values than formerly, even in the face of increased cost of raw material and workmanship.

B & M Fish Flakes

B & M Fish Flakes is the product which we advertise extensively. Our price to the wholesale grocery trade is 25 per cent less today than it was four years ago. Advertising, causing increased sales and naturally increased production, brought about this change.

Underwood's Deviled Ham

The largest increase in our sales, and also the largest increase in our trade discount, has been during the last four years, when we have spent more money for advertising. We feel absolutely confident that had it not been for the inauguration and systematic management of this advertising campaign, our business would be stationary or declining instead of gradually increasing; and that the tremendous cost of selling the product without advertising, combined with increased cost of the product, would have necessitated prices beyond the reach of a large percentage of the present customers.

Holeproof Hosiery

Our prices, both to the trade and to the consumer, are identically the same as they were in 1904, although the cost of raw material and workmanship have increased materially since that time. As a matter of fact, our goods that retail at 25 cents per pair cost us 20 cents per dozen more to produce today than they did in 1905; and it is, of course, due to the fact that we have steadily increased our volume of business by means of advertising that we are able to continue to market these goods at the same price to the consumer.

Kellogg's Toasted Corn Flakes

We can give definite evidence proving both: (1) that prices of our goods have been reduced as a result of the larger output secured through advertising, and (2) that quality and intrinsic value of goods have been increased.

As to No. 1, when our product, then known as Sanitas Toasted

Corn Flakes, was first placed on the market, the package was one-third smaller and sold for 15 cents. With the increased distribution resulting from national advertising, we have increased the size of the package 50 per cent and decreased the price to the consumer $33^1/_3$ per cent; so that the consumer today receives more than twice as much for his money as he did of the unadvertised product.

WILLIAMS' SHAVING STICK

The consumer is getting 20 per cent more soap in the nickled box with hinged cover today than he got years ago in the plainer and less expensive box. . . . The dealer is buying our shaving stick at 2 per cent less than the former price, he is getting the freight paid on his shipments . . and all this during a period when products in general were going upward in cost.

20-MULE TEAM BORAX

In the case of the "20-Mule Team" Borax, it is true that advertising has reduced the cost to the consumer through an increased output. When borax was comparatively unknown to the average consumer, it was sold principally by druggists, and, being classed as a drug, sold at a rather high price, as high as 30 cents per pound. Today, through extensive advertising, "20-Mule Team" Borax has become familiar to the consuming public, and its many household uses have taken it out of the drug class, and it is now sold largely through grocers as an article of general household utility. The retail price today is 15 cents a pound in one-pound packages, and 10 cents a pound in five-pound packages. . . .

This . . . is a conclusive demonstration of the fact that advertising does not add to the cost of goods to the consumer, but, on the other hand, enables the manufacturer to increase his output; making it possible for him to introduce improved methods in manufacturing, with a consequently improved product, and enables him, even in the face of increased labor costs, to reduce the retail price on his goods to the consumer.

INGERSOLL DOLLAR WATCH

We have not revised our prices as a result of advertising, but we have done what is the equivalent; for during twenty years in which there has been a constant rise in nearly all other products

we have kept our prices the same, and have at the same time made more than a dozen improvements of great advantage to the consuming public at considerable cost to ourselves. . . .

Our output has arisen from a few hundred to fifteen thousand per day. Improved manufacturing facilities, inventiveness, and a constantly enlarged field cultivated by advertising, which has kept people informed of our improvements, have permitted us to progress in the manner I have herein described.

WELCH'S GRAPE JUICE

Grape juice, or unfermented wine, as it was first called, was unknown when Dr. Welch put up the first dozen bottles in 1869. There was no demand for the product; most temperance people opposed it, and those who favored fermented wines of course opposed it. The demand had to be created. The public had to be educated —and because of the fact that there was very little money available for advertising and salesmen, the growth was very small during the first twenty or twenty-five years. During the past fifteen years the growth in the popularity of grape juice has been quite rapid—a growth made possible by advertising. . . . Grape juice now sells at one-half what it did in 1897, while the price of grapes has increased from $10 per ton to $40 per ton.

WARNER DOLLAR CORSET

Advertising which has brought increased sales has permitted enormous increases in the intrinsic value of the goods.[3]

JELL-O

Fifteen years ago we spent a few hundred dollars a year advertising Jell-O; now we spend half a million, and all the time the price of Jell-O has remained the same, 10 cents a package, though thousands of dollars have been expended in increasing the quality of our product.

ESKAY'S FOOD

Advertising has built our business from nothing to sales amounting to several hundred thousand dollars per year. With the growth

[3] The total value of labor and materials in a dollar Warner Corset of 1913 was 37 per cent greater than in 1910.

of this business, and by reason of handling larger quantities each year, we were able to reduce the item of labor per package, and in the face of an increase in the cost of raw material continue to give the jobber, the retailer, and the consumer the identical goods, in the same size package and at the same price every day, every month, and every year.

Waterman Fountain Pens

The selling prices to the public of Waterman's Ideal Fountain Pens are substantially the same today as they were at the time of their inception thirty years ago. This in the face of the fact that both labor and component materials of manufacture have nearly doubled in cost, taxes are higher, many items of selling expense are greatly increased, and competition is keener.

. . . . The expense of advertising Waterman Ideals enters into the cost of the pens, the same as taxes and import duties. . . .

The missionary work which must be done on behalf of our company can be handled more cheaply through intelligent advertising than by the employment of salesmen who must be paid a living wage. As this is an important element in the final cost of the product, we do not hesitate to state that the users of our pens would be paying a higher price today if we had not been able to develop our business with the help of judicious advertising.

In the early years of this business all the Waterman Ideals were sold through the direct efforts and solicitation of the inventor and one or two assistants. The time consumed in the sale of each pen often amounted to more in its value than the cost of the complete pen. The business world would never have progressed on such a sales basis unless possibly through an enormous selling organization which could make the output sufficiently large to warrant the minimum of cost, and it is a certainty that the *per se* cost of such a selling organization would have been (and has been found to be) far in excess of the cost of the advertising method of securing distribution and demand.

Munsing Union Suits

If advertising added to the cost of distribution we certainly would not continue to advertise. If values offered were not greater than those to be found in non-advertised goods, the merchant would

certainly not buy in increasing quantities each season, and certainly Munsing Union Suits would not have become the most popular union suits with the public unless they were the most satisfactory.

INDESTRUCTO BAGGAGE

We are convinced that were we to discontinue our advertising, our business would fall off at least 50 per cent, which would force us to distribute our overhead over about half the production which we are not getting. This would increase our cost per trunk very much more than the saving per trunk which we would make by discontinuing our advertising would amount to.

BABBITT'S BEST SOAP

In all laundry soaps it can be proved that the large output obtained through advertising has enabled the manufacturer to cut manufacturing and selling costs to the very great advantage of the consumer.[4]

[4] To substantiate this statement, Babbitt's Best Soap sold for 10 cents a cake forty years ago; now it sells everywhere at six for 25 cents.

CHAPTER XIV

TRADE-MARKS AND UNFAIR COMPETITION

Necessity of Trade-Mark.—When industry was personal, i.e., when the producer sold directly to the consumer, it was unnecessary to identify the goods. The consumer knew the originator of products and could hold him directly responsible for their quality. This close relationship tended to keep manufacturers from debasing their merchandise, since responsibility for its character was fixed. As markets widened, however, and the producer and consumer became strangers to each other, the manufacturer's sense of responsibility for the quality of his goods became dulled, while the consumer had difficulty in running down the origin of his purchase. Substitutes flooded the market, put out not only by competitors but also by the makers of the original product. The consumer had no standard to judge by, and often purchased a brand other than the one he intended to buy. To prevent this confusion, and to build up a permanent trade based on quality, manufacturers have devised trade-marks and trade-names to distinguish their products from those of competitors, thereby assuring the purchaser that they welcome the fixing of responsibility.

Purchasing Goods by Trade-Mark.—The public has responded favorably to the manufacturer's attempt to eliminate the worst evils of the present system of impersonal relationships in industry. Goods are increasingly purchased by name. If an article gives satisfaction, the customer does not desire to experiment with some other brand; he profits by past

experience and again purchases the same article. Experimenting takes time and effort, and the trade-mark saves the customer the need for experiment.

The Three Methods of Marketing.—Goods can be marketed by three different methods:

1. Goods may be sold in bulk. This method is necessary where the customer lacks confidence in the article and desires to inspect it in its entirety before committing himself to a purchase. It is an expensive method, necessitating the use of the goods in convincing the customer. This expense arises not only in the manipulation of heavy articles (pianos) or goods difficult of transport, but likewise in the depreciation in value of certain goods, owing to handling (laces, books, clothing). It is also an awkward method. Goods have to be stored while being inspected and often congest available space and reduce the efficiency of routine work. Such a method is comparable to carrying coins with which to pay bills, rather than using checks, drafts, and bank notes for the purpose. It is usually much easier to transfer the trunk check than the trunk; in the same way it is usually more economical to transfer bills of lading, warehouse receipts, etc., than the goods they represent.

2. Goods may be sold by sample. If the merchandise is of a homogeneous character, selling by sample is easily possible. Thus, a probe injected into a car-load of grain will represent quite accurately the nature of the entire bulk. If, however, one steer is taken from a car-load of steers, it does not necessarily follow that the one selected is typical. In the case of manufactured goods where there is no assurance that the commodity in the sample package is of the same quality as that in the original, a certain amount of customer-confidence must exist in order to market such merchandise by sample. Before a permanent trade based on sample can

result, the original products must in all cases correspond in quality with those in the sample package.

This method of marketing is less expensive and more efficient than marketing in bulk. The sample costs less to transport and handle than the original article, while depreciation on it is smaller than would be the case on a large article of the same quality. It is likewise easier to handle and facilitates quicker sales. Delays do not occur because it cannot be manipulated and brought to function, as is often the case with the larger original product. Notwithstanding these advantages, the sample costs money and there is some expense in handling it. The sample method, however, though often cumbersome and expensive, is an advance in marketing goods.

3. The most advanced marketing method is selling by description. Here the cost is less than in the other two cases, while no difficulty arises in transporting, manipulating, or otherwise exhibiting the goods. The goods are, in fact, not seen by the customer. This method implies a large amount of customer-confidence. The representations must be believed, otherwise the goods will not appear desirable. Very often a long period of square dealing and fair representations must precede any extensive use of the description marketing method. But when this confidence (good-will) is built up, it is hard for competitors to shatter it. It yields increasing dividends.

The Trade-Mark as a Marketing Device.—The trade-mark is a device enabling goods to be sold by description, rather than by sample or by bulk. In so far as it identifies products, it describes them. All the satisfactions, utilities, desirable qualities, and functions which may have been advertised widely in connection with the article, are concentrated in the trade-mark. A glance at a trade-mark should call to the mind of the customer the real significance of the article to him. Perhaps a good deal of copy surrounds the trade-mark, but

it is unnecessary for the reader to wade through all of this if he has already tested the article. He is able to take the quality for granted and purchase without questioning. The representation becomes the thing represented, just as the gold certificate is in reality the gold coin so far as the average citizen is concerned. He knows that the trade-mark is the goods, therefore it appears unnecessary for him to see them. The trade-mark thus aids in marketing goods and benefits the customer as well as the manufacturer.

Functional Classification of Trade-Marks.—Trade-marks may be classified as regards the rôle they play. They may be defensive, offensive, or a combination of both. A defensive trade-mark performs the function of a protector. An illustration of this is "B.V.D." This trade-mark includes no selling element; it merely distinguishes the article so branded from a similar product. It is an identification mark to aid the customer in buying. Such a trade-mark must be easily seen, have distinctive qualities, and be easily remembered.

An offensive trade-mark must be a salesman, in that it must help sell the goods. In one or two words, a single idea appealing to a strong buying motive of the customer is emphasized. If the trade-mark can be offensive and defensive, i.e., play the rôle of both protector and salesman, it is doubly effective. An illustration of such a trade-mark is "Old Dutch Cleanser." It identifies the product and protects it from substitutes, and yet at the same time drives home the idea, "It chases dirt." Another example is "Gold Dust," admonishing the customer "Let the Gold Dust Twins do your work." If a trade-mark with selling ability can be made protective, the result is ideal.

Protecting a Family of Products.—As already indicated, the customer must have great confidence in the manufacturer's

representations in order to purchase goods by means of trade-mark or description. Many manufacturers have spent years in building up customer-confidence, which is nothing but good-will. If each article took such intense cultivation of the market, the expense per product would be high. The costs of marketing a family of products is reduced materially by assembling them all under one trade-mark which has the confidence of the public. In this way the good-will which has been created can be utilized to its fullest extent. Where a single product is put out under a trade-mark which has taken much money to build up, a large part of its utilities go unused. It is to utilize this unused capital that manufacturers sometime conceive of producing a family of products.

An illustration of thus utilizing a trade-mark is the "Beech-Nut" family of products. The cost of securing the confidence of the public for each additional member of this family decreases, and it is to the advantage of the consumer to have this expense of identifying products decrease, since, competition assumed, the ultimate price will be less because cost will be less. If, because of exceptional quality or early pre-emption of the field, competition is inconsequential, the producer of the family of products will earn large dividends on the original investment of the trade-mark advertising. Trade-marks similarly used are: Heinz, Armour, Rubberset, Keen Kutter, and Arrow.

A trade-mark is merely the representation of all the claims a company has made and the extent to which they have been lived up to. In a sense it is a vehicle which conveys to the consumer's mind a summary of the significance of the article to him. Like other vehicles, it can transport more than one occupant or product, and with every additional unit transported, the cost per unit decreases. Such inclusive use of the trade-mark is one of the most economical methods of distributing goods produced on a large scale or in variety.

Former Trade-Mark Law—1. Descriptive Trade-Marks.—During the existence of the trade-mark law, from 1905 to 1920, if the manufacturer desired his trade-mark registered so that duplication would be illegal, certain restrictions or rules had to be observed. The first of these was that the trade-mark should not be descriptive. That is, the trade-mark should not describe the most prominent characteristics or qualities of the goods to which it was attached. This regulation was made in order to prevent confusion, and in practice was as much to the advantage of the manufacturer as it was to the consumer. Thus, for example, if the trade-mark of a fabric were "Non-Shrinkable," and a customer had asked the salesperson whether he had the "non-shrinkable goods," the latter might have replied in the affirmative and produced goods of another brand with the non-shrinkable characteristic. In other words, the difference between a non-shrinkable fabric and the "Non-Shrinkable" fabric might have been vague in the customer's mind, and it was thought that substitution by unscrupulous salespersons would be encouraged if legal countenance were given to any such descriptive trade-mark.

Some manufacturers, however, had faith in the efficacy of the descriptive trade-mark and adopted it, although they were not allowed to register it. They thus ran the risk of the introduction of similar trade-marks by competitors, but assumed that some advantages of the descriptive trade-mark would more than offset this possibility. What these advantages were have not always been clear to the inaugurator of the trade-mark or to others. One supposed advantage was that the memory and interest value of the trade-mark was heightened. This may have been true, but less risky devices existed for securing this end than the descriptive trade-mark.

Trade-Marks Descriptive with Use.—Some trade-marks were not descriptive when the article was introduced on the

market, but became so later. This fact has been true of new articles which temporarily dominated the entire field and the public mind, and whose names became substituted for the articles which they were supposed to represent. Such has been the case of the Victrola. The Victrola dominated the talking-machine field for so long that many people grew to use the word "Victrola" when referring to talking-machines in general. Thus, "Victrola" became a descriptive trade-mark because it meant talking-machine. In order to be descriptive a trade-mark may be made up of words which the dictionary meaning indicates are descriptive, or of words which in colloquial usage have grown to be descriptive. Obviously, a manufacturer cannot be certain whether or not his trade-mark will become descriptive with use.

Many illustrations could be given where substitutions have been effected and misunderstanding produced because the trade-mark grew descriptive with use. Referring again to the Victrola, a farmer came into a department store and said, "Have you Victrolas?" "Yes," said the salesman, "please be seated and I will show you some excellent 'Edison-Victrolas.'" In this case the customer thought of all talking-machines as Victrolas, simply because he had seen the word Victrola and the picture of the talking-machine associated together so continuously. Such confusion has been avoided to a great extent in the case of the Kodak which has come to be identical with the word "camera," by cautioning the public, "If it isn't an Eastman, it isn't a Kodak." Accurate sales by description are thus developed because the customer learns to call for a Kodak only when a certain kind of camera is desired.

The best kind of a trade-mark is one which suggests the use of the article, or its chief characteristic, but does not describe. Such a trade-mark is "Sapolio." The transposition of two letters in this name satisfied the requirements of the old trade-mark law and did not describe the article; yet it

suggests what the article is used for. "Ri-al-fa," a trade-mark for a family of products containing the extract of alfalfa, suggests this ingredient without stating it. When this suggestive feature is embodied in a fanciful name such as those given, the trade-mark is most effective, i.e., distinctive, easily identified, and long remembered.

2. **Exploitation of Geographical Names.**—The second requirement of the old trade-mark law was that the trade-mark should not exploit a geographical name. This regulation, as well as the one previously discussed, was designed to protect both the producer and consumer by making substitution difficult. If several vacuum cleaners are made in Detroit, and one of these is called the "Detroit," the customer asking for "the Detroit vacuum cleaner" might be given any vacuum cleaner manufactured in Detroit. Some customers would no doubt instantly recognize such a crude attempt at substitution, but many others could be induced to purchase the substitute without recognizing it. It was believed that if it were not for this law thousands of articles would be named after the cities in which they were manufactured, and because of similar articles produced in these same cities much opportunity for misunderstanding would result.

3. **Names of Persons.**—The third requirement of the old trade-mark law was that names of living men should not be used without their consent, nor the names of dead presidents of the United States. This prevented manufacturers from appropriating people's characteristics and associating them through the use of their names, with commodities over which these people had no control. Thus, if a hat were named the "Roosevelt," it would take unto itself all of the virile, honest, daring qualities of the man himself, yet Roosevelt would be unable to ascertain whether or not the hat really

had the qualities appropriated from his personality. Again, the name "Edison" on a phonograph associates with the machine itself in the public mind, all the scientific accuracy, remarkable ingenuity and mystic powers of Thomas A. Edison. It was felt that this method of creating value in goods should be carefully guarded by the government; that it should be as closely supervised as the issuance of securities in order to avoid the creation of false values.

When the manufacturer wished to associate personal qualities with commodities, he found it more desirable and less expensive to create an imaginary person and imbue him with the attributes which the manufacturer makes the trade-marked commodity to represent. Thus were created the characters such as Velvet Joe, Sunny Jim, "The man who owns one," and the like. This was perhaps the best policy to pursue for most articles for which special personal qualities were desired.

In looking over advertisements during the last few years, one will see what were apparent violations of the old trade-mark law. Descriptive names such as "Keep Kool," and "Keen Kutter," are in evidence as are also geographical names like "Kalamazoo" and "Waltham." These apparent violations belong to one or the other of the following classes: (1) they were in existence prior to the passage of the trade-mark law of 1905, or (2) they were not registered. Some manufacturers adopted geographical and descriptive trade-marks to identify new products, generally through ignorance of the law, and were loath to change the trade-mark after it had been used in building up good-will.

Alteration of Trade-Mark Law in 1920.—In 1920 the old trade-mark law was altered to permit the registration of descriptive and geographical name trade-marks, because many manufacturers were handicapped owing to the fact that trade-marks legitimately theirs, were imitated. Kitchen Kleanser,

among other trade-marks, lost heavily on account of the old law. Competitors adopted the name because of its non-registerability and secured business rightfully belonging to the original company. Yet it would have been costly to have surrendered this trade-mark to competitors and to have created a new one which was registerable. Of course, the possibility of relief under the common law existed, but many manufacturers hesitated to become involved in long and costly litigation. The only practical course was to create business with the original trade-mark and permit imitating competitors to gain what business they could through the same device. Obviously this was an injustice to the originator of the trade-mark. On the other hand, it seems apparent that the new law will permit certain injustices to be done to the consumer, who will probably become more confused in the identification of products.

Attaching Trade-Marks to Products.—Even if the trade-mark is distinctive and registerable, some difficulty is often experienced in attaching it to the product. This has been the case with bulk drinks. Where bottled drinks are sold, the trade-mark on the label identifies them, but where the liquor comes in bulk and is sold by the glass, its identity disappears. This impediment to identification has been overcome by placing the trade-mark on a receptacle from which the liquor is drawn. It has been held to be illegal to use such a trade-marked receptacle for any drink for which it was not intended. In the case of rope, the trade-mark has consisted of a colored thread which is visible throughout its entire length. In wire netting, the trade-mark has been woven into the border. Paper seemed impossible to trade-mark until the process of water-marking was discovered. This is a good example of the way in which an article may be completely identified or graded by a mark which utilizes no part of the product.

Relation of the Trade-Mark to Good-Will.—Good-will gives permanence to business; without it all business except monopolies would be temporary in character. When customers desire to maintain continuous trade relations with a business establishment, or desire to make continued purchases of a commodity, this intention serves as a stabilizing force which is called good-will. Good-will cannot exist apart from the means of identification—the trade-mark—which enables customers to distinguish between those businesses or commodities which have excited either their friendliness or ill will. To the extent that distinctiveness is modified by similar trade-marks, to that extent is good-will modified, or perhaps nullified. In order to prevent the alienation of good-will from rightful owners, it is obviously necessary for the law to prevent deceptive imitations or duplications of representations of good-will.

Necessity of Trade-Mark Dependent Upon Industry.—Where a monopoly exists there is obviously little need of an identifying mark for the product. It is when competition enters that such a device becomes necessary. The greater the ease with which competition can enter into an industry, the greater the necessity of a trade-mark. Thus, in the case of the knit-goods industry, where one may commence production with little capital—often in the home—it is extremely desirable to protect goods which have merit. It is of little use to create value in goods unless this value can be protected. One of the great losses arising from competitive industry has its origin in loss of commodity value due to substitution.

Trade-Marks and Monopoly.—Since the application of a trade-mark to a commodity does not involve an exclusive right to make or sell that commodity, a trade-mark is not monopolistic. In this respect it differs from a patent or copyright.

The latter are profitable because they carry the right to exclude imitations. Good-will represented by a trade-mark, however, induces the customer to purchase a particular manufacturer's commodity in preference to a similar commodity made by someone else. It implies choice, not compulsion, between competing commodities. Patents and copyrights exclude competition; trade-marks are based upon it. Competition without trade-marks would result in confusion for the consumer, while monopoly without trade-marks would lead to no such result.

Though trade-marks are not monopolies they serve as hindrances to perfect competition in so far as they produce buying habits, i.e., the tendency of consumers to buy as they have bought before, or to buy as others do. It is always easier to do what one has done before than what one has never done before. Because of this natural force of habit which modifies the actions of all people, a trade-mark limits the working of the force of competition if it succeeds in inducing customers to make repeated purchases of a commodity. Even when competing commodities of a similar kind are better than the trade-marked article, it may be possible for the trade-marked commodity to hold its customers for a longer time than its relative merits would warrant. Because the trade-mark is the sole means by which a buying habit is developed and perpetuated, it is an asset frequently of more value than the machinery which makes the product physically possible.

Effects of Competition Upon Trade-Marks. — Because people persist in buying what they are accustomed to buy, a habit which trade-marks, trade-names, and distinctive packages make more easy to form, good-will has more than a temporary value. Manufacturers and merchants will not wish to see the public form the habit of buying a competitor's

goods, for the stronger the habit becomes the harder it will be for them to break into the market. Strong efforts will be made to divert customers from the habitual use of any brand. In fact, it may be laid down as a rule that the amount of competition that a new trade-marked article will provoke varies directly with the success it has in developing buying habits for itself. If the new commodity obtains an apparent monopoly of the customer's attention and money, such a situation will almost automatically cease to exist as soon as competing brands appear on the market. Often this competition to share in the good-will which the public holds toward a commodity becomes so vigorous that the rights of trade-mark owners and consumers are transgressed. Such competition is usually termed "unfair competition."

Unfair Competition.—Unfair competition is the attempt to represent one man's goods as those of another. It is deception. It attempts to divert trade from one branded article to another by making it difficult for customers to identify the original. It is successful in so far as it is possible to imitate trade-marks, labels, packages, and trade-names. The law therefore prohibits, by means of injunction, the use of any trade-mark, label, package, or trade-name which would confuse the average customer and lead him to purchase a brand other than the one he supposed he was purchasing. The "average customer" is the ordinary customer who is careless and indifferent in his purchasing—the man or woman who does not take constant precaution against deception. The customer who uses intelligent discrimination between trade-marks, trade-names, labels, and packages is the exception.

That the average customer is unwary and only infrequently examines with care commodities offered to him, makes possible predatory competition. It has been ascertained from tests that nine out of ten customers do not know who makes

the goods, where they are made, or the points of distinction in the goods themselves and pay little attention to the information given on the containers. This was illustrated forcibly in a case for infringement brought by Walter Baker and Company, Ltd., of Dorchester, Mass., against W. H. Baker and Company of Philadelphia and New York. In this case it developed that although the former company had advertised and sold its chocolate and cocoa for over a century, housewives were calling for Baker's chocolate and did not know whether these products were manufactured by Walter Baker, W. H. Baker, William Baker, or some other Baker. Neither did they know where these products were made, nor the distinguishing features of the labels and packages. These products were designated to a large extent, by reference to the illustrations on the labels, as follows: "the chocolate with the lady;" "the chocolate with the Quaker lady;" "the chocolate with the Dutch girl on the back;" "the chocolate with the yellow label and a German lady on the wrapper;" "the chocolate with the woman on it;" "the chocolate that has the picture with the tray and cups;" "the chocolate with the picture in Colonial costume;" and so forth.[1] Because of such vagueness in remembering names of manufacturers and points of distinction on labels and packages, courts have not hesitated in most cases to grant relief to owners of branded commodities when it has been shown that the ordinary customer has been misled; even though there might be enough points of dissimilarity between the packages, trade-marks, labels, and trade-names to enable a careful buyer to make an intelligent distinction.

Kinds of Infringement.—Infringement may take several different forms:

---

[1] E. S. Rogers, Good Will, Trade-Marks and Unfair Trading, p. 68, Chicago, A. W. Shaw Co., 1914.

1. Deceptive names.
2. Imitation of color and appearance of labels and packages.
3. Imitation of the form of the package or the article.
4. Appropriating dissimilar designations which nevertheless cause commodities to be known on the same market by the same name.
5. Refilling genuine packages with counterfeit goods.
6. Substitution.

They are all alike in one respect, however; they are means of representing one maker's goods as the goods of another. They will serve to make identification difficult and handicap the customer in carrying out his intentions, while at the same time they appropriate the property of good-will which the maker has succeeded in building up.

Deceptive Names.—The following trade-names have been held to infringe irrespective of their surroundings: [2]

Apollinaris	Apollinis	Gold Dust	Gold Drop
Bovina	Boviline	Keep Clean	Sta-Kleen
Cascarets	Castorets	Muralo	Murrilo
Celluloid	Cellonite	Rising Sun Stove Polish	Rising Moon Stove Polish
Ceresota	Cressota	Royal Baking Powder	Royalty Baking Powder
Ceresota	Certosa	Sapolio	Sapia
Cocoaine	Cocoine	Sapolio	Saponit
Cocoatina	Cacoatine	Sapolio	Sapho
Cottoline	Cottoleo	Sapolio	Sapono
Creamalt	Crown Malt	Sorosis	Sartoris
Cuticura	Curative	Tonge's	Tung's
Cuticura	Cutis-Cure	Uneeda	Iwanta
Cuticura	Curato	Wamsutta	Wamyesta
El Destino	El Devino	White Rock	High Rock
El Destino	El Destinacion	Yusea	U. C. A.

[2] E. S. Rogers, Good Will, Trade-Marks and Unfair Trading, p. 143.

Imitation of Color and Appearance of Label and Packages.—One of the well-known cases of such infringement is that of the Uneeda Biscuit. This trade-name was infringed by the name "Iwanta," but further than this, the appearance of the package and the color of the label on the end of the package were similar. Not only was the label of the same color, i.e., red, but it was of the same shade of red. The design on the infringing label was nearly identical and on it appeared the words "Factory Seal," while on the Uneeda appeared the words, "Inner Seal." The Gold Dust package has been held to be infringed by the Buffalo Soap Powder, since the packages are the same size, color, and general appearance. The Paris Garter has been held to be infringed by the French Garter because of the general imitative get-up and approximation of catch phrases. For example, the Paris Garter trade-mark says, "No metal can touch you;" the French Garter trade-mark says, "No metal touches you." Likewise, the former brand says, "For year-round wear," while the latter brand says, "Best for all-year wear." The manufacturer of a certain brand of absorbent cotton, on the container of which was the picture of a red cross, enjoined the manufacturer of another brand from using the same designation even though he used a differently shaped label, box, and design.

Imitation of the Form of Package or Article.—If it is difficult to attach labels, or if it is impossible to keep them attached, imitation may take the form of deceiving through the shape of the containers or product. For example, the Charles E. Hires Company has had difficulty in securing identification for its carbonated root beer because the bottles come into contact with the ice so that the labels are easily washed off. In order to remedy this difficulty and secure adequate identification for its product, this company devised a distinc-

tive cylindrical bottle with high shoulders and a short neck. The Consumers Company of Chicago adopted the same shaped bottle for marketing its root beer, although its other beverages were sold in bottles of different shape. The Consumers Company was enjoined from using the same shaped bottle as the Hires Company.[3]

The form of an article, when it has been a prominent means of securing identification, has likewise been protected by the courts from imitation. For example, it has been held that Cascarets were infringed by a competitor who put on the market a similar tablet, cast in an octagonal form. Relief was secured by the Yale and Towne Company from a competitor who made a padlock the same shape as the Yale lock. A manufacturer of an oval-shaped loaf of bread succeeded in enjoining a competitor from imitating this shape. It has been held that the imitation of the architecture of a store front was unfair. The Coca-Cola Company secured an injunction against the manufacture of a beverage which was artificially and unnecessarily colored to resemble Coca-Cola. In all of these cases the courts have endeavored to protect identification devices, so as to lessen confusion on the part of the buying public, and to protect the property right of good-will which has been built up as a result of extensive and costly advertising.[4]

Deceptive Designations.—Reference has already been made to Baker's Chocolate which was widely known to customers by the "lady." The Puritan Pure Food Company manufactured a chocolate with the picture of a lady on the label of the box. Notwithstanding the fact that this picture was dissimilar to the picture of the lady used on the Baker

---

[3] E. S. Rogers, Good Will, Trade-Marks and Unfair Trading, p. 197.
[4] *Ibid.*, pp. 200-201.

label, the court ruled that it would not be fair to permit the Puritan Company to use this designation, since its product might become known as the "chocolate with the lady" and thus become confused with the product of the Baker Company. In another case, a haberdasher was enjoined from marking his shirts with a star because they might become known as "Star Shirts," a designation by which a certain manufacturer's shirts were known. In this instance, the infringing mark was dissimilar in shape and color. Similarity or dissimilarity of trade-marks, trade-names, labels, and containers are not the important considerations in a case of infringement, but rather whether such designations cause products to be known on the same market by the same name. The effect of such designations is scrutinized more carefully by the courts than the designations themselves.

Refilling Genuine Packages with Counterfeit Goods.—A common method of unfair trading which seeks to prevent identification, and one difficult to detect, is the refilling of genuine containers with other than the original product. Lea and Perrin's Sauce, Pinaud's Hair Tonic, Horlick's Malted Milk, Hires Root Beer, and other well-known products are constantly being infringed upon in this insidious manner. Fraud of this nature may entail serious consequences because users of the genuine article may detect a deterioration in quality and discontinue their use of it. Thus the manufacturer loses distribution for his product by reason of an unseen force, which, because of its intangibility, is difficult to combat.

Substitution.—To sell a substitute article when a specific brand has been asked for is false representation similar to that described in the previous paragraph. In the one case a representation was made that the merchandise contained in the package was genuine; in the other case the same repre-

sentation is made without the use of the genuine package. When a customer asks for Old Dutch Cleanser he is entitled to get it. If the dealer gives him something else without comment he is acting unlawfully and can be enjoined from making such proffers. The customer is entitled to receive the goods he asks for.

Identification Devices as Marketing Machinery.—Identification devices and the advertising which exploits them are a part of the machinery of marketing, and like other machinery they are efficient only when they function as intended. Imitation, in all of its subtle ways, handicaps proper functioning and is therefore rightfully restrained by the courts. Representing one's goods as the goods of another is only one way of securing someone else's property without a just consideration; and in all ages has been held to be illegal. If permitted, it would result in the return of *caveat emptor,* with its consequent slowing up in the speed of sales and an increased cost of marketing. Any device which permits purchase by description, and ready identification, increases the speed with which sales are made and results in lowering marketing costs.

CHAPTER XV

PRICE DETERMINATION

Maintaining Profitable Distribution.—The way in which the manufacturer is making a fight to gain distribution has already been indicated. After he has gained his distribution he must maintain it. Unless this is done, the selling costs per unit increase as the number of units of goods sold decreases. This means either raising selling price to cover the higher costs, or keeping the old selling price and taking the higher costs out of profits. The latter method is impracticable for any length of time, for with all lure of profits gone there remains no incentive to continue producing goods. The former method likewise cannot be successfully carried out in many cases, because of competitors' prices or because custom has made price habits. Thus it is seen that above everything else the manufacturer must maintain and if possible increase his distribution.

Effect of Price-Cutting on Distribution.—When a retailer in a small town in central Illinois cuts the price of a nationally advertised article, it may seem of little importance to the manufacturer. This act may, however, make the small leak in the dam which, if it is allowed to continue, may endanger the whole structure of distribution. Jobbers and agents of competing manufacturers' goods spread the news to their clients in other parts of the country, and soon there may be an aversion on the part of many merchants to handling this particular article. So even before a large city department store cuts the price of an article, other merchants in

that city might decline to purchase it. It is enough for them to see price tendencies in other parts of the country. If the manufacturer does not prevent price-cutting in one part of the country, he will probably not attempt it in another. The average merchant desires a product which he can handle permanently; he is suspicious of goods which absorb his goodwill only to be discarded because of their unprofitability due to competitors' price-cutting.

Arriving at a "Right Price."—Since distribution must be maintained at all costs and because price materially affects distribution, the question of fixing a "right" or "fair" price is important. The retailer must be allowed to charge a price which insures him a fair profit, otherwise he will not handle the goods; or, if he does handle them, he will not push them. Cases have been known in which the main defect in the manufacturer's distribution scheme was too low a margin of profit to the retailer. The retailer as well as the manufacturer must have something to work for. On the other hand, too long a margin of profit tempts the retailer to price-cutting because he feels that he can make a satisfactory profit on a lower selling price.

The difficulties in arriving at a right price are further aggravated because the right price to one dealer may be the wrong price to another. Because of a quick-turnover merchandising policy, an article with a low margin of profit may appear attractive to some stores, if a consumer-demand has been created; while from the standpoint of other stores with different merchandising methods, the profit-producing possibilities of this particular article may appear negligible. All the manufacturer can hope to do is to fulfil the profit expectations of the average merchant who is in a position to handle his goods.

The right price from the standpoint of the average mer-

chant, may often be reached only through the process of experimentation. Like all knowledge gained through experience, it is costly. The results of cumulative memory and goodwill in regard to the price of a commodity are lost when its price is changed, and the more frequently that commodity's characteristics are altered the less stable does it appear in the customer's mind. If, however, the wrong price has been attached to the merchandise, it is far better to change it as soon as its defectiveness is known than to continue with a handicap. A better method of ascertaining the right price is to make a study of all conditions surrounding the article before its price is fixed. Later on, when this price is given to the merchandise it may be found too low or too high, but the adjustment that will have to be made by both the retailer and the customer will be much smaller than where experimentation was more blindly followed.

Attitude of Small Retailer Toward Fixed Prices.—The small retailer looks favorably upon fixed-price goods because they assure him a profit on each sale. With the recent rapid growth of the large store, and the advantage it enjoys of buying in quantity, the small retailer has been forced to face a competition which in many cases has all but put him out of business. As a weapon against this new competition he has grasped at price maintenance on nationally advertised goods for which a consumer-demand has been created.

The manufacturer has been quick to respond to the needs of the small dealer, because his distribution through the large stores was endangered, since large stores insisted on cutting prices or pursued the policy of handling private brands. Demonstrators have been sent to convince the customers of the small store that the quality of the nationally advertised product is better than that of similar lower priced goods. Advertising has been paid for by the manufacturer and placed

in local papers under the dealer's name, while window displays and interior advertising effects have tended definitely to relate the dealer with the manufacturer's national campaign.

Attitude of Large Retailer Toward Fixed Prices.—Naturally, the large dealer is unsympathetic toward the efforts of manufacturers to maintain the prices on their products. He feels that the accomplishment of price maintainence would place him on an equal footing with the small dealer, and his entire effort has been to secure advantages to himself that the small dealer does not have and cannot get. If price maintenance became a reality, his advantage of quantity purchases would be partly neutralized.

Because of this feeling, the large store cuts the price on nationally advertised goods whenever it can use this method to stimulate the sale of other products. Often it is difficult for these stores to get goods direct from the manufacturer or the manufacturer's jobber; but there are devious ways of getting the merchandise without the manufacturer's consent, so that stores such as R. H. Macy and Company continually offer for sale nationally advertised goods below the price at which they are sold elsewhere.

After selling the nationally advertised article for a time and benefiting from the manufacturer-created consumer-demand, the large retailer very often finds that by means of clever salesmanship he can substitute his own brand for that of the manufacturer and maintain his former turnover. Since the private brand is not advertised and therefore carries a larger margin of profit, more profit is made on each turn of the stock, resulting in a materially larger net profit. The lure of this larger net profit is constantly inducing large stores to discontinue nationally advertised products when it is felt that a substitution, carrying a larger margin of profit, can be effected without endangering turnover.

As already stated, this development is drawing the manufacturer of standard articles more and more toward the small dealer, and is stimulating him to help develop the latter's trading possibilities. This close association, stimulated by the necessity of self-preservation, is meaning much to the small dealers. They are realizing their opportunities as never before, and in turn are making much better customers for the manufacturer. Some of the methods adopted by manufacturers in cultivating intensively the smaller dealers are taken up in Chapters II and X.

Arguments Against Price Maintenance.—Some of the arguments against price maintenance may be set forth as follows:

1. Price maintenance does away with competition by preventing competitors from underselling each other. The customer loses the protection of competition as a force which insures him the most for his money; he is at the mercy of a combination of distributors and producers. The price that is fixed may be fair or unfair, but if it is the latter it may be maintained, while under free competition it would be displaced by one which more nearly represented the value of the merchandise. A permanence is thus given to price factors, while the value underlying them is constantly changing.

2. It prevents dealers from sharing efficiencies with customers. Each store is seeking to institute certain internal economies which will lower the selling cost. Examples of these are: quicker turnover, better advertising, more advantageous arrangement of fixtures, less credit losses, adequate accounts, and scientific salesmanship. Under usual competitive conditions, each merchant making use of these economies would for a time enjoy the profits resulting from them, but would be compelled eventually to share them with the consumer. Under price maintenance, dealers would keep these

profits for awhile, but they would sooner or later be absorbed by the manufacturer who would be in a position to cut down the margin of profit as the retailer's net profit from the sales of these products increased. Thus, in the long run, the retailer would be no better off, while the consumer would have suffered a distinct loss. The manufacturer is the only one to gain by such a policy.

3. Price maintenance is a bait held out by the manufacturer to induce retailers to push his goods. Retailers will not do this unless the goods compare favorably with those of competing manufacturers, and to accomplish this end the manufacturer attaches the idea of a certain profit to the goods. Thus the consumer pays for making the goods appear attractive to the retailer. This element of attractiveness or value may exist for the retailer, but it does not exist for the customer. In other words, the customer who purchases a price-maintained article helps to raise the price of the article above its true value. He pays for something which he does not get; either the retailer or the manufacturer gets what the customer pays for.

4. The process of maintaining prices is price boosting—merely extorting the consumer's surplus. Because of the artificial condition created, the customer is forced to pay as much for goods when they are plentiful as when they are scarce. The normal saving or surplus which would accrue to the consumer on each article, were the laws of supply and demand free to operate, goes first to the retailer and eventually to the manufacturer. Goods are thus made to cost more, aggravating the already high cost of living.

Arguments for Price Maintenance.—In contrast with the foregoing, the following arguments in favor of maintaining prices may be noted:

1. Price maintenance does not do away with competition;

it merely makes prices uniform. Competition may force a new lower price level, but when this level is reached, there is competition between dealers who are now selling at a lower but uniform price. In other words, price maintenance merely establishes a plane of competition which may be above or below the old level so far as price is concerned.

2. Price-cutting introduces cheaper substitutes. The customer, being inexpert in judging the merits of merchandise, takes for granted that he is receiving at all times the same article under the same trade-mark. Because of price-cutting, however, the retailer receives a decreasing profit, so that the manufacturer has to keep increasing the attractiveness of his offer in order to make sure that the retailer will purchase his goods. Because he receives less for the merchandise, the manufacturer can put less into them, so that although the goods go under the same name and are sold in the same package, they are, in fact, different or substitute goods. Thus, the quality of merchandise suffers and the customer gets no more for his money than he did when prices of goods were higher. Since the customer cannot permanently benefit by price-cutting, price maintenance is to his advantage because it insures that the quality of nationally advertised goods will be maintained.

3. Price maintenance, while retarding competition along the lines of price, stimulates competition along the lines of service. One merchant endeavors to attract customers from another merchant by giving fairer treatment, providing better merchandising facilities, taking back goods that do not give satisfaction, and in other ways elevating the relationships between buyer and seller. This competition among dealers to provide a complexity of satisfactions is believed to be more desirable for consumers than a competition based purely on price. In a subsistence economy the latter kind of competition seemed necessary, but as standards of living rise and the

luxuries of the few become the comforts of the many, a broader idea of what constitutes customer-satisfactions necessitates a change in the character of dealer competition.

4. A fixed price prevents exorbitant profits. The customer is protected against the unscrupulous dealer who capitalizes customer-ignorance. The customer pays for being relieved of this risk incident to buying, but such a relief is no different here than in any other field. If one wishes to be relieved from the risk of death, fire, or other contingencies, he must pay for it. The customer might in some cases pay lower prices if there were no price maintenance, but there seems to be little doubt that in some cases he would pay higher prices. It is believed that the assurance of a just price is a valuable commodity for which the customer is willing to pay.

Price Maintenance from Standpoint of Public Policy.—With all due respect for the arguments in favor of price maintenance it must be said that, from the standpoint of public policy, it is dangerous:

1. Competition would be eliminated as regards price, and price is the most important element in the sale with a great many people. To make service the important factor as compared with price is to make a readjustment of values, in the making of which the customer has nothing to say. If the customer could be heard, there is little doubt that in many instances necessity would indicate the desirability of competition as regards price instead of competition as regards service.

2. It is extremely doubtful whether price maintenance maintains quality. Advertised goods are no better in quality than it is imperative they should be in order to make them pay. Instead of allowing price maintenance to dictate quality, competition makes quality what it is. Under a system of price-cutting, there are high and low quality goods for the

same price. That is, there is not only competition as regards price but also as regards quality. The same applies to service. Competition of price cannot exist alone; it is inseparably connected with the other characteristics of the goods among which are quality, adaptibility to needs, conditions under which goods are sold (service), and delivery.

3. Price maintenance may very possibly create conditions which discourage competition between manufacturers. This would enable the manufacturer to secure a virtual monopoly of the goods under his control. It may be supposed by some that there would still be competition between the brands of different specialty manufacturers, and there is nothing inherent in a price maintenance policy which prevents such competition. To place the price-fixing responsibility in the hands of the manufacturer, however, would provide an ever-present motive for combination and agreement, and furthermore would simplify the attainment of agreement on price. An informal oral agreement between a half dozen large manufacturers might result in the extraction of the consumer's surplus for a long period of time, as well as producing conditions of monopolistic control in the field of distribution such as have characterized the fields of production and transportation during the last generation—a condition which has called forth all of the corrective powers the state and federal government could employ.

Solution of the Problem.—There is no doubt that unlimited price-cutting endangers manufacturers' distribution and thereby works a hardship on the creators of branded goods. Under such conditions, the advantage is obviously with the large retailer. It is no less evident that unlimited price maintenance places the efficient retailer at a disadvantage in competition with other retailers, as well as endangering the interests of the consumer. Either policy is undesirable be-

cause of the absolute power which it gives to one party. Possibly a combination of both policies may secure justice to the three parties to the selling transaction, viz., the manufacturer, the retailer, and the customer.

It has been proposed [1] that this may be accomplished by instituting, as a new basis for price-making, the principles of a fair profit for every merchant selling a branded commodity. Heretofore the manufacturer has followed the principle of a fair price, which was supposed to give a fair profit to the average merchant. Since the merchants above the average had a lower selling expense, they could afford to sell the branded commodity below the "fair price" and still make a fair profit; while the merchants below the average, who had a higher selling expense, could not make a fair profit by selling the branded commodity at the so-called fair price. Price-cutting is inherent in such a system because the more efficient merchants with the lowest operating expenses can extend their trade only by sharing their efficiencies with the public, and such intention may be most evident when a cut appears in the price of branded commodities.

This kind of price-cutting is also inherent in the proposed plan mentioned above. It is possible that price-cutting can be accomplished by some dealers as part of a continued policy to share economies with customers, without sacrificing a reasonable profit on the commodities whose prices are cut. If this is done as an open and well-recognized policy, it is thought that no harm to the parties concerned can result. The kind of price-cutting which is not inherent in the plan proposed, but which is apparently inseparable from the present system of fixing prices of branded commodities, is predatory price-cutting. The latter species of price-cutting uses branded commodities as loss-leaders to convey an impression to customers

[1] C. T. Murchison, Resale Price Maintenance, Columbia University, Studies in History, Economics, and Public Law, Vol. 82, No. 2, New York, Longmans, Green & Co., 1919.

which often does not exist, viz., that a store is selling all commodities at a lower price than competitors.

An attempt is thus made by this plan to distinguish between legitimate and illegitimate price-cutting. The former is thought to be desirable because it takes into consideration the welfare of the customer and does not injure either the retailer or the manufacturer. The latter is open to condemnation because it preys upon those who have involved large sums in creating value and good-will for branded commodities; because it seeks to deceive customers; and because it places at a disadvantage small retailers who have no private-brand incentive to cut standard-brand commodities.

Difficulties Involved in Proposed Solution.—What is a fair profit? How can it be ascertained? How may the legitimate price-cutter be distinguished from the predatory price-cutter? These and many other questions arise concerning the practicability of the proposal. As regards the definition of a fair profit, the ground has already been broken in other fields. Commissions working in conjunction with technical experts and the courts have laid down some preliminary principles as to what constitutes a fair price which public utilities may charge, and such a price is based on the determination of what constitutes a fair profit as well as other factors.

As regards the ascertainment of a fair profit it would be necessary to develop a standard system of cost accounting for retail stores. A step in the direction of standardized operating expense systems for some classes of retailers has already been taken by the Graduate School of Business Administration of Harvard University. Several hundred grocers, shoe dealers, and other retailers are keeping similar expense accounts, so that the data received from these stores admit of comparison. It would no doubt be possible to standardize present retail accounting methods so that it would

be possible for investigators not only to determine whether a fair profit has been made, but also to distinguish between the legitimate and the predatory price-cutter.

That many difficulties would be encountered in the establishment of standardized cost systems goes without saying. Operating expenses would have to be kept by departments, an unheard of procedure in the small store. It would be necessary to allocate expenses to each department as regards light, heat, floor space, accessibility, turnover, advertising, window display, and so forth. Much difference of opinion exists between expert accountants as to proper allocation of such expenses, and even if it were satisfactorily attained, changes would frequently have to be made to meet changing conditions of handling, change in nature of demand, diverting of trade by reason of new routes of travel external to the store, alterations within the store, and other changing factors.

Fair Prices and Fair Profits.—It has been presumed in forming the proposed plan of price determination, that price-cutting of a trade-marked article is not desirable if the cut price does not include a profit. The question naturally arises whether this presumption is justified. In retail groceries from 40 to 60 per cent of the gross sales consist of flour, sugar, butter, and eggs. Almost invariably these commodities fail to return any profit whatsoever on their sale. There are some who feel that failure to secure a profit on these commodities makes their selling prices unfair. From this point of view failure to secure a fair profit on one-half of the gross sales, necessitates the securing of an "unfair profit" on the other half of the gross sales. If price-cutting were not permitted on trade-marked flour, sugar, butter, and eggs until they bore their proportion of the net profits charge, they would sell at a higher price than at the present time; while the stimulation of competitive price-cutting on canned goods and other articles

which bore more than their proportion of the net profits charge would tend to reduce the price of these latter commodities.

Prices Based on Cost and Value.—In the field of transportation each commodity does not bear all of the costs incident to its transportation. Bulky commodities, such as coal, building-stone, lumber, grain, and so forth, are carried at a rate which does not cover the costs involved. Freight rates on bulky raw material, therefore, may not be considered "fair" by some because they do not include a fair profit. On the other hand, finished products of smaller bulk are moved at a rate which more than covers the primary and secondary costs plus a profit higher than a fair profit, hence it may be considered that they are transported at an "unfair rate."

A situation similar to that existing in transportation is found in postage rates. First-class postage more than covers the costs of carrying first-class mail, while the other classes of mail are carried at a loss. Schools are for the most part run at a loss which is made up from endowments or taxation. Municipally owned utilities often sell their products at a price which does not cover primary and secondary costs, to say nothing of a profit; but this is made up by means of taxation. In this case, taxpayers are forced to reduce the consumption of other goods which they might have consumed had taxes to cover utilities' deficits not been levied. Their consumption of the utilities' products, however, is increased because of the low price. In all such cases, prices are determined, not by cost alone, but by cost and value. The latter element is sometimes known as "what the traffic will bear"; it sets the upward limit to price. Primary costs set the lower limit.

Price as a Directive of Consumption.—As regards schools, postage rates, transportation rates and some public works, it

is thought socially expedient to fix prices which are other than those based on cost. Price is a directive agency; it directs consumption. A lower price on a commodity usually directs people to consume more of it; a higher price directs people to decrease their consumption of it. Competition determines price, with the exception of natural or governmental monopolistic goods, and price determines the nature and extent of consumption. If competition places emphasis on the wrong price-making elements, a wrong or "unfair" price is produced, i.e., a price which directs wealth in channels which are considered socially inexpedient. Hence price-fixing has for its purpose a redirection of wealth and productive effort, very different from that which would be the result of free competition.

Since price directs consumption (and hence production), great care should be exercised in altering it. If it is politically desirable that coal should be transported to districts where no fuel of this nature exists, in order to build up manufacturing industries which would otherwise be at a serious disadvantage with those in more favored districts, it may be necessary to construct transportation rates which will not cover the costs of this marketing function. Or, if homes are considered socially desirable in parts of a country devoid of inexpensive building material, it may be for the public welfare to carry building material to such localities at less than the costs of transportation. A greater number of educated citizens will be found in any country where the price charged for an education is below all the costs connected with producing such an education, than where it is equal to or above these costs. A sale price for a commodity which does not include a fair profit directs demand toward such a commodity. Where society benefits by such a direction of demand, the policy is justifiable; where the benefits to society are unobservable or doubtful, a free and unrestrained direction of

demand is desirable. Hence an unfair price is not a price which does not contain a fair profit, but a price which misdirects demand or wealth. A fair price directs the flow of wealth in directions which are socially desirable.

Determining Retail Prices.—Retail prices are not fixed by governmental authority, as are transportation rates, postage rates, education fees, and so forth; they are determined by the forces of competition. If, then, competitive prices in some cases do not include within themselves a fair profit, and in other cases include more than a fair profit, what conclusion should be drawn? Is the price which has resulted from competitive forces a "right" one in the sense that it is efficiently directing demand? Custom has apparently dictated the policy of lowering the prices of flour, sugar, butter, and eggs, and raising the prices of canned goods and other groceries. Is it desirable for society to have stimulated consumption of these four commodities, or should each commodity in a retail store "pay its own way"?

These articles cannot be considered loss-leaders because they comprise on the average at least half of the total gross sales. Custom has dictated this policy and competition enforces the mandates of custom. Although there is no statute to enforce the fixing of a profitless price on these commodities, nevertheless such a price is dictated by a force as powerful and as exacting as law. Competition through the medium of price is directing the flow of wealth, yet notwithstanding the fact that this is apparently a natural situation, the student of marketing should scrutinize carefully the direction this stream of wealth is taking with the purpose in mind of analyzing the alternative possibilities of different price levels. If the stream of demand is going in a direction socially desirable, the price directing this flow is a "right" one.

Some commodities have standard mark-ups which include

a net profit as well as the costs of doing business. These are usually called medium- and low-priced goods. In merchandise, especially in ready-to-wear clothing, price is often fixed by what merchants call "eye-value," i.e., what it is believed the goods will bring. This price is changed from time to time to adapt itself to any miscalculations which are inherent in any such forecast of customers' estimates of value. Demand, therefore, is the chief factor in determining the price of high-grade goods. Demand and supply have more equal importance in determining the price of medium-priced goods, while the price of low-priced merchandise is influenced largely by supply or cost. It should be noted that while demand is emphasized as the price scale goes up, and supply as the price scale descends, the opposite term of the price equation in each case is assumed; but it is more inert and is not the actively operating price factor.

Price Determination of Fixed Supply Goods.—Merchandise is fixed in supply when its supply cannot be increased or decreased or when such increase or decrease cannot occur at the same rate as demand increases or decreases. An example of goods absolutely fixed in supply is offered by seasonable merchandise such as furs. During a late and mild winter the supply of furs cannot be cut down and it is not desirable to run the risk of carrying them over until the next season. What will determine the price of these furs? The answer is, demand. What the buying public will give for the furs is a more important price factor than what the furs cost. Style goods, obsolescent merchandise, articles which the manufacturer has discontinued manufacturing, and rare, imported commodities, are good examples of merchandise absolutely fixed in supply. "Eye-value" fixes their price, and this price may be above or below the cost of distribution. Whether above or below cost, this price is a "right" or "fair" price

if it directs demand in the direction which is for the greatest social welfare.

Conditions under which the supply of goods was relatively fixed existed for the most part throughout the period of the Great War. Merchandise was being received by merchants in greater quantities, but it seemed as if it was absorbed as rapidly as it arrived. This was true of automobiles, silk shirts, ready-to-wear apparel, shoes, luxuries, and other goods. Many merchants fixed prices for such merchandise at a point which would move the goods, i.e., prices representing "what the traffic would bear." Such prices were not based on cost, but on the absorption power of demand. The stronger the demand, the greater the levitation power exerted on prices. Larger profits were made than were normally possible, and these profits represented the wide spread between costs and resale prices. These high prices served to stimulate further production of these commodities but at the same time tended to cut down their consumption, since it is presumably true that lower prevailing prices would have directed more demand in this direction. Productive effort was therefore directed by price into channels more socially desirable. During the market deflation of 1920-1921, prices were fixed by demand, just as they had been during the war, but prices did not cover profits and in many cases did not even cover primary costs of distribution. Demand had practically ceased when consumers went on a "buying strike," and merchandise could not be reduced in supply rapidly enough to meet the reduced demand. Shoes that had been selling a few months before for $17 now had difficulty in bringing $1.95. "Eye-value" was still the chief operating price factor and price represented "what the merchandise would bring." A new direction was being given to demand by prices which might be considered fair prices even though they did not carry profits and costs with them. Deflation was socially desirable, and prices which

did not cover all of merchandising costs were aiding more than anything else to bring this about.

Price-Fixing by the Government.—During the Great War the federal government fixed prices of grain and other necessities in order to give confidence to producers by assuring them a profit, and to prevent the gaining by producers and manufacturers of exorbitant profits as a result of the seller's market developed by war conditions. Price was recognized as a force which directs the production and consumption of wealth, and the government attempted to fix prices which would direct wealth into channels which would be productive of the greatest efficiency in the winning of the war. A minimum price on some commodities stimulated their production; a maximum price on other commodities prevented their production on too great a scale. The natural forces of competition were set aside as determinants of prices, while boards and commissions sought to forecast the economic and social consequences resulting from the prices fixed. The whole price structure is such a complicated one, with ramifications extending in all directions throughout the fabric of society, that many forces were overlooked in the price-fixing. But, for the most part, the governmental assumption of price determination in important commodities served its purpose, viz., a redirecting of wealth into channels subservient to the demands of war and the closing up of channels of productive effort which had no important bearing on the winning of the war.

Price Determining Power of Competition.—Price-fixing is a serious problem because it assumes a redirection of the wealth of the community. Any redirection of wealth should be determined by the automatic forces of industry, the competitive interplay of market influences. Under extraordinary

conditions, when these forces do not act as quickly as they should to redirect wealth into channels made necessary by abnormal circumstances, the government may profitably readjust the price-making machinery. In this extension of power it is justified because its purpose is one of social prosperity. When private organizations, however, undertake to exert this power of price-fixing, a private and hence a selfish point of view dominates the course of action. It is not believed that there is such an overwhelming misdirection of wealth that the government should undertake the permanent responsibility for price determination, and it is not believed that private interests are in a position to know when any misdirection of wealth results from competitive prices. If, however, large retail units come to dominate the field of merchandising and by their combined influences remove the price-determining power of competition, it may appear desirable for the governmental boards and commissions to undertake to redirect demand.

CHAPTER XVI

THE COST OF MERCHANDISING

The Cost of Marketing.—The cost of marketing would include advertising costs, the costs of the manufacturer's sales organizations, the jobber's and wholesaler's costs, and the costs of merchandising. Advertising costs have been discussed in Chapters XII and XIII. The ratio of advertising costs to the retail selling price varies with different commodities, as does also that of the jobber's and wholesaler's costs. In general, it is safe to say that all costs of marketing from the manufacturer to the retailer do not exceed 10 per cent of the retail selling price. In individual instances they may run as high as 20 per cent, while in other cases they may be as low as 2 per cent. From this it is clear that the large "spread" in price between the manufacturer and the consumer is not to be found in the early stages of marketing; it must be sought for elsewhere.

The Cause of Price Spread.—The reason for the wide spread between the manufacturer's prices and retail prices is to be found in the cost of merchandising. This cost, on the average, amounts to about 30 per cent of the retail price of a commodity, varying from 20 per cent on some groceries, for example, to 40 per cent and more on novelties and style goods. Merchandising is, then, the most important field for the study of marketing costs, and an analysis of its cost elements should indicate possibilities for decreasing the spread between the retailer's price and the consumer's price. In the

following analysis of the costs of merchandising, those elements constituting the retail spread will be considered. This spread is called the mark-up and consists of two parts; the costs of doing business, and the net profit. The item net profit will first be considered, after which a detailed analysis will be made of all the different elements which go to make up the costs of doing business, together with plans for reducing costs and narrowing the retail price spread.

The Nature and Cause of Profit.—Profit is the return to the retailer for undergoing a risk. What he could get if he worked for someone else represents his salary, and is an expense item which should be charged against the overhead. Profit is not expense; it is a return which, theoretically, enterprisers must receive in the long run, otherwise they will cease to be enterprisers and enter the employ of others. This decrease in the number of enterprisers, provided the demand for their goods remained the same, would tend to permit those taking risks to get profits which the former intense competition had made impossible. Thus profits are never certain; they are influenced by many complex conditions. But they are, in the aggregate, definite payments which society gives to certain men who are willing to take risks in order that society's needs shall be satisfied; just as interest payments are tangible amounts paid for the use of capital.

It is this part that remains, over and above wages—this "extra"—that business men are presumably after. The proprietor of a business is seeking an extra reward and must put forth extra effort and a higher grade of effort in order to attain it. If the proprietor does the same work as the salaried help and no more, he cannot expect, neither will he often get, more than a salary from his business. Sweeping the floor, opening boxes, keeping books, and such work is not often done by the man who is making profits, yet a proprietor

who does such work often wonders why expected profits never appear.

Developing an Intelligent Accounting System.—The retailer just referred to runs a risk over and above that of his salaried employee, but he gets nothing extra for it because of his incompetence. He is guessing in regard to his store's affairs instead of knowing about them. Some lines of his merchandise sell better than others, but he has no records to indicate to what extent and in what particular lines this is the case. Hence there is no check on bad buying. The mark-up is too low or too high because the operating expenses have not been carefully analyzed. Some of the salespeople are not earning their wages but there is no way of knowing who they are. Other salespeople who are earning more than their wages are not promoted and may became dissatisfied and indifferent. Positive knowledge, evidenced by records, must take the place of guesswork in retailing if profits are to be secured.

How often has a retailer known that his business was increasing more rapidly than his expenses, and yet was not producing a profit? Perhaps when the jobber sent an accountant to go over his books it was found that the books did not tell anything about his business. He kept accounts that did not account. He could not find out, for instance, whether his large assortment of boys' suits was paying him, or whether a big window display of laces would prove more profitable than the display of some other line. In fact, he did not know anything for certain. His energy and enthusiasm were wasted by aimless work. The effective system of accounts does not *do* anything; it points out the work that should be done. System is merely a method of enabling some responsible person to keep his eye on the results of the business. The proprietor or his manager must have a concen-

trated reflection of all that is going on in the business. This reflection, or record, must show at least three things: (1) The location and quantity of the cash; (2) what is owed; (3) the amount of stock purchased, the amount sold, and the amount and location of what is on the shelves.

Attitude of Banks Toward Store Accounts.—Not only from the standpoint of making profits on old capital, but also from that of making profits on new capital, adequate accounts are necessary. Sooner or later every healthy business needs to expand, and needs more credit to do it. Banks are loath to extend credit without a satisfactory statement of the stores affairs, and a day-book and a ledger (all that some stores think are necessary) are insufficient conveyors of information for the banker who may contemplate advancing the increased credit. "There's a popular notion that a man may be expected to know his business," said a banker. "I've grown skeptical about it. A man may be at his desk every day and not know what's happening in his store. The thing that shows whether a business man's request for credit is right or not is the statement he shows you."[1] A test of the adequacy of a store's accounts is whether or not a statement of its affairs on short notice is sufficient evidence on which a banker is willing to loan depositors' money. Can a business statement be produced in 24 hours that will convince a hard-headed creditor that the store is making money? At times some creditors have to be shown.

Importance of Turnover.—In some stores the labor force is working at full speed, but the capital is loafing. In other words, the turnover is sluggish; lifelessness of one factor of distribution nullifies the efforts of the other factor. Large

[1] A. M. Burroughs, A Better Day's Profits, p. 74, Detroit, Burroughs Adding Machine Co., 1912.

stocks are carried and a long time elapses before the capital tied up in them is liberated for new purchases. For this reason the store is handicapped in carrying a large variety of merchandise. A well-selected stock is what the public wants and not a large stock. Very often the large stocks are not efficient simply because they are inactive—they are not used and are incapable of increasing the customer's regard for the store. Moreover, inactive stocks absorb capital that might be used to better advantage. If a merchant invests $1,000 in inactive stock, it would have been far better had he buried that sum in the ground back of the store. There is no deterioration of the sum buried in the ground, neither is there any expense in leaving it there, while in the case of the inactive stock, shelf and floor space must be considered as well as the salaries of salespeople, delivery men and others. Getting the utmost utility out of each unit of capital is just as important as getting a full day's work out of labor.

Capital is turned once when it is invested in stock and all of the stock is sold. A shoe dealer purchased a dozen pairs of shoes at $4 a pair and sold them at $6 a pair. The shoes cost him $48 and were sold for $72. He turned his capital once, at 33⅓ per cent gross profit on the selling price. Another shoe dealer purchased a pair of shoes at $4 and sold them for $6. Then he purchased and sold another pair, and then another, and another, until he had sold twelve pairs. The shoes cost him $48 and were sold for $72. He turned his capital twelve times, at 33⅓ per cent on the selling price at each turn. One merchant makes 33⅓ per cent on his investment; the other makes 400 per cent gross. Both do a gross business of $72, but the important point is that one invests $48 once and the other man invests $4 twelve times. If both of these merchants had $48 to commence business on, one merchant could have invested his other $44 in eleven other $4 items, and by the time the first merchant had sold his

twelve pairs of shoes, the other merchant would have sold twelve of each of the other eleven items.

Figuring Rate of Turnover.—The simplest case of turnover is illustrated by the business of the fruit-peddler. He buys a cart-load of bananas every morning, costing him about $12, and sells them before night for $25. He turns his capital every day, or 30 times a month. On a capital of $12 he does a business of approximately $7,000 during the nine months he is able to work. If the same principles were to be applied to a capital of $12,000, it is hard to realize the enormous business that could be done. To figure the rate of turnover in retail stores is somewhat more complicated than to figure the rate of turnover for the peddler, because a part of the capital invested is released almost immediately and put back into additional stock. On the books, this is apparently an increase in the investment. Stock purchases are much in excess of capital invested, but the sales records show that this stock has been sold. A dry-goods man doing a yearly business of $100,000 on a $10,000 investment, for example, probably puts $60,000 to $70,000 into stock, that is, reinvests his $10,000 capital from six to seven times.

Thus, if the retailer knows the amount of money originally invested, the average amount of stock on hand, and the total amount of goods purchased, he is able to ascertain the number of times he has turned his capital. If the store purchased $60,000 worth of goods, had an average stock of $10,000 and an original investment of $10,000, then the capital of this store has been reinvested six times, i.e., the stock has been turned six times. A common error in figuring turnover is to figure the number of turnovers on the gross business without allowing for the profit on each turn of the capital. For example, if a store has gross sales of $100,000 and an average stock on hand of $10,000, some retailers would conclude that

the turnover was ten. This is a wrong method of figuring, because the profit has been figured in as an investment. If there is a 50 per cent gross profit (based on the selling price) on each turnover, the total stock investment is $50,000. This should be divided by the average stock on hand, say $10,000, which gives a turnover of five. The turnover is the quotient in a process of division; the divisor is the average stock on hand; and the dividend is the billed cost of the goods sold.

An illustration of the importance of correctly figuring turnover was brought to the attention of the writer recently. A jeweler complained that he was not making a profit and could not understand the situation inasmuch as he was making a turnover of 2¼. He had read in a trade paper that profits could be made in the jewelry business if a turnover of this figure was secured. After some calculation, it was found that the jeweler barely had a turnover of one. He had made the mistake of dividing average stock on hand into gross sales instead of billed cost of gross sales. The turnover spoken of in trade magazines and business books usually refers to the investment fraction of gross sales, and not to the entire gross sales. Of course the correct turnover figure can be secured by dividing the selling price of average stock on hand into gross sales. Both factors in the division process include profit, hence one offsets the other. In order to avoid confusion, however, it is recommended that only cost prices be dealt with in figuring turnover.

Cost of Doing Business.—A profit cannot be made unless all of the costs are included in the mark-up. What these costs are is often a matter of disagreement or ignorance. Some grocers have been found who believed that they were doing business on 17 per cent of their sales, when investigation showed that their costs were from ½ to 3 per cent more than this. They wondered why their records did not show a profit

at the end of the year. They had overlooked some very important items of cost, which had the effect of lowering their mark-up on every sale that was made. It might be claimed that the lower price of each piece of merchandise, due to the insufficient mark-up, would stimulate trade and increase sales. This may be true. Trade may be increased enough to equal or exceed the amount lost on all goods by reason of an insufficient mark-up, but if goods are still sold below costs this increased trade will not bring a profit. Stores and industries selling large quantities of goods often end in bankruptcy, and this at the time of their seemingly greatest prosperity. Increased trade does not mean prosperity unless it brings a profit. Trade cannot bring a profit unless the costs of doing business are known and charged against the total business, if not against each sale. The entire cost of doing business will now be considered item by item.

Rent.—Perhaps in every case in which the building is leased a merchant charges rent against the business. When the structure is owned by the proprietor, however, many cases have been found where no rent whatever has been included in the costs of doing business. The former case is no different from the latter. If the retailer who owns his building does not use it himself he receives an income from its use by others. By using the building himself he foregoes the rent which he might have secured from others, and unless his business produces the amount of this rent, his building is unproductive; the capital invested in it does not yield any return. If this were the case with all capital, our vast supplies of capital would soon be destroyed. Of course a depreciation and repair fund may keep the building capital intact, but capital, in order to be productive, must do more than maintain itself; it must add some value to itself. This value is rent in the case of a building, and is a legitimate cost which the business should

bear. Buildings are not free, their use must be paid for; and even though the retailer prefers to pay for his building in a lump sum rather than to pay rent in monthly instalments, his investment must be preserved and augmented to the extent that it would be in similar investments. The amount of rent charged into costs on an owned building should be an amount equal to that which would be received in case it were leased to others. When this amount of rent is taken care of in the costs of doing business, obviously no charge should be made for repairs or depreciation on the building, since these must come out of the rent figure.

Labor.—The item of labor should include all wages and salaries for extra as well as regular work. If it is desirable to indicate the separate expenses of different departments, remuneration for office labor should be kept separate from remuneration for store labor. A common error in accounting is to omit from the charge to labor the salary of the proprietor or members of his family who work in the store, or to charge up but a nominal figure for these services. In many cases where the costs of doing business were below the average, it has been found that the proprietor had failed to charge a sufficient amount for salaries. What the proprietor should allow himself as a salary depends on what he would be worth in similar work to others. Sometimes it is difficult to ascertain exactly what this sum would be, since no offer may have been made for his services from another store. Yet within narrow limits this figure can be ascertained. In some instances retailers have been charging the store with $75 per month for their services, when it was obvious that $200 per month would be much nearer the figure of their competitive value. Cases could also be mentioned where the whole family labored from morning to night without the costs of doing business being affected thereby. As already stated, unless

the costs are put into the overhead and hence into the mark-up, they cannot be secured from the business—to say nothing of realizing a profit.

Depreciation.—The purpose of charging depreciation is to keep invested capital intact—to recoup from the business the annual amount of fixed capital which the business consumes. Fixtures for instance, are consumed to some extent every year of their use but are not entirely consumed. Therefore a fixed amount should be charged off each year for depreciation of fixtures. Twine, postage, and fuel, on the other hand, are entirely used up. In the case of the latter items their total value is obviously an expense, while in the case of the fixtures, only part of their total value is an expense in any one year. Their total value will appear as an expense if viewed over a term of years.

Although this appears clear to many merchants, there are some who do not charge depreciation against fixtures. Because of this negligence, they find themselves at the end of ten or fifteen years with worn and out-of-date fixtures on their hands and no fund except accumulated profits out of which to purchase new ones. Naturally they are reluctant to use profits for this purpose, hence the old fixtures are made to last a few years more during which time the indifferent equipment of the store drives trade away. The store with old fixtures is indeed handicapped in the present-day struggle for trade. More and more, customers are demanding up-to-date stores and fixtures the cost of which they are willing to have included in the price of goods. The progressive merchant does not overlook the demands of the public as regards these items any more than he neglects the character of merchandise which it demands. Only by providing a depreciation fund out of which fixtures may be purchased when needed, is a store certain of an up-to-date appearance in this respect.

The rate of depreciation for fixtures varies for different stores and in different localities. The people in some communities are influenced more by custom than in others. Again, the economic conditions of towns are far from uniform, presenting demands of a varied character for goods and service. Not only is this true as between towns but also in the same town. Because of location, different classes of people naturally patronize different stores, and these stores of necessity adapt themselves to the different demands made upon them. Whatever the demands they should be met, and it should be the aim of every retailer to ascertain continually what these demands are both as regards goods and service. In some stores fixtures will meet the demands of the customers if they are renewed every twenty years. In this case, in order to secure a fund to purchase new fixtures of the same value at the end of the twenty-year period, approximately 5 per cent of the value of the fixtures would have to be charged into the overhead expense every year. If, on the other hand, the fixtures are capable of satisfying the clientele of the store for no more than ten years, approximately 10 per cent of their total value must be included in the overhead expense each year.

It should be clear to every retailer that fixtures do not have to wear out before there is justification for scrapping them. Certainly such a policy is not followed as regards the merchandise. A stock of post-season hats is often sold below cost in order to clear the shelves for something better—something which the customer demands and wishes to see displayed in place of the old goods. Obsolescence, then, is included in the term depreciation. Loss in ability to serve is a loss in value. Not only fixtures but all furniture and furnishings of the store are consumed in instalments, and as these instalments are used up they should be charged into the cost of doing business.

No depreciation should be allowed on merchandise itself. If this becomes less valuable, either through depreciation (fading, shrinking, scratching, breaking, decaying, etc.) or obsolescence (getting out of style, becoming less valuable because of new methods, etc.), it should be either marked down and sold out—in which case the average mark-up is adjusted to take care of mark-downs—or it should be appraised at a lower value in the annual or semiannual inventory, hence decreasing the investment on which interest must be earned.

Repairs.—This item applies to fixtures and equipment of all kinds, but not to buildings. Building repairs, as already noted, are included in rent charges. Repairs are made so as to maintain capital goods at their highest efficiency Repairs differ from additions and betterments; the former seek to maintain the present value of equipment, the latter seek to increase it. Thus, lining up and painting shelving would constitute repairs and should be included under current expenses, while installing glass doors for these shelves would constitute an increase in investment which will not be consumed immediately but by instalments. These instalments are depreciation, and as they fall due should be charged into the overhead expense.

Merchants have been known to increase their mark-up unduly as a result of a high cost of doing business which was inflated with the cost of improvements. In a certain variety store this procedure made such an extraordinary increase in prices of goods, the demands for which were more or less elastic, that trade fell off rapidly and a forced sale resulted. An overhead that is too high is as dangerous as one that is too low. In the latter case trade is increased—but not at a profit; in the former case trade is decreased, which augments still further the overhead, although on individual sales a profit is made.

Supplies.—Wrapping paper, twine, bags made of paper or burlap, baskets, stationery, pencils, and the like, are included in the item supplies. If possible, the office supplies account should be kept separate from the store supplies account. This makes easier the task of analyzing expenses, and as all expenses are kept for the purpose of analysis, a confusion of the two wastes the time and effort expended in keeping them. The error usually made in connection with supplies is that of forgetting to charge them. The individual supplies are often of little value and therefore appear of little significance, but taken in the aggregate they loom large. Omitting to include them may mean the difference between a profit and a loss. In order to guard against this error, every time supplies are purchased a purchase slip should be made out, stating the amount and character of the purchase, and placed on a spindle to be totaled at the end of each day and added to the list of the expenses of the store.

The expense involved in supplies is easily lost sight of if boxes, barrels, stationery, ink, pencils, and so forth, are taken from stock without any record being made of the fact. In a small store it is often believed unnecessary to make a record of such a transaction, since what the stock has lost the store has saved by making unnecessary a purchase from another source. It is assumed that one offsets the other. Such is not the case. Unless the customer is charged with those supplies, he never pays for them; and he is not charged for them unless they are included in the overhead and consequently in the mark-up.

Similar to this error is that of allowing the proprietor or members of his family to take dry-goods, groceries, or other stock for the family use without having them charged. Instances continually come to light in which this practice has become a custom. One proprietor justified himself by saying that he was not charging much salary against the business,

only $50 per month. He did not realize that he and not the business paid for stock used in this way. Certainly the customer did not pay for it, because this expense was never charged to the overhead, and consequently was not included in the mark-up. If in this case the proprietor wished to regard withdrawals of merchandise as part of his salary, he should have included the value of the goods in the costs of doing business. Instead, however, of charging the value of the goods directly to overhead when merchandise is taken out of stock for the proprietor's family use, it is generally better for the proprietor to allow himself a salary sufficient, at least, to pay for the goods in cash.

If the proprietor wishes to defer payment for goods taken for family use, he should charge them to himself on the same basis that he would charge them to customers. The customers, not the proprietor should be made to pay salaries.

Interest.—All interest on notes, mortgages, and so forth, by means of which money has been borrowed to carry on the business, should be charged against the costs of doing business, for such interest is an accounting cost, i.e., one that must be paid out of the earnings of the current year. When competition permits, some merchants also charge off interest on the net amount of the total investment. This procedure is advocated for all retailers by the National Association of Credit Men and others, who regard interest on investment as an economic cost and one that must be earned by merchants in the long run and charged to the cost of doing business. Those who are on the other side of the question assert that if all merchants accounted for interest on net investment in this manner, prices set by the less efficient would be above what competition allows. Able accountants are on both sides of the question, over which much controversy has raged.[2]

[2] *American Economic Review*, Proceedings, 1918.

Those who are opposed to the inclusion of interest in the cost of doing business assert that, as selling prices are fixed by competition, the retailer makes as much interest when it is omitted from the overhead as when it is included. When the merchant includes interest on the investment in the cost of doing business, they urge, the latter will be a larger percentage of the gross profits, and net profits will be smaller; when interest on investment is not included, the cost of doing business will be smaller and net profits larger. According to those who hold this view, if the net profits were 10 per cent, part of this amount, say 6 per cent, would have to be regarded as interest on capital, and the balance, 4 per cent, would constitute net profits.

Those who urge the inclusion of interest in the cost of doing business section of the mark-up are undoubtedly correct in their view that interest on investment is an economic cost, but it does not necessarily follow that all of the economic costs will be paid by the consumer. In the last analysis, competition determines what the consumer pays; and competition can, and often does, force prices below a point sufficient to cover accounting plus economic costs. It is true that if the merchant is to remain solvent, competition cannot force prices below a point sufficient to cover accounting costs, i.e., costs which the retailer must pay to others. Still, the retailer can remain solvent even though all the economic costs, one of which is interest on net investment, are not met; because in the case of economic costs, the retailer is his own creditor.

The assumption that economic costs must be met or merchants in general will not put their capital into merchandising is not correct. It is true that some retailers go out of business because they are not successful, i.e., are not making interest and profits, but this in no wise cuts down the number of retailers. The number of retailers is increasing more rapidly than ever before. Consumers must pay interest only if their

failure to do so would cut down the supply of retail service, and it is quite evident that the supply is not being cut down.

Three reasons may be given why some retailers remain in business and others enter the field even though economic costs are not paid by society:

1. Accounting costs may be reduced.
2. Retailers are generally ignorant of the fact that economic costs are not met.
3. There is a combination of money returns and advantages which they consider sufficient recompense for their personal efforts and capital invested.

Reduction of Accounting Costs. If, because of competition, gross profits cannot bear the item of interest on net investment, better merchandising methods in regard to turnover, selling, advertising, store arrangement, and the like may be adopted to secure it.

Ignorance of Economic Costs. One reason for the continuance of the supply of retail service in face of the failure of society to meet all the economic costs is ignorance on the part of new retailers. They do not know that all economic costs are not being earned. Of course they know that there are many business failures, but they have no means of knowing that many of the so-called business successes are in reality business failures. Financial failures get into the newspapers, and into Dun's or Bradstreet's, and serve as warnings; but business failures are secret, often not known by the proprietors themselves. Hence they cannot serve as warnings. Yet there can be little danger of error in stating that a business that does not earn interest on its investment is a business failure. It does not help the situation to know that the capital is owned by the proprietor. If the capital were owned by an outsider and interest was not paid when due, the business would be forced into the hands of a receiver. In other words, financial failure would result.

Advantages of Proprietorship. Even when the retailer realizes that economic costs are not being paid by the buying public, he may choose to remain in business. There may be a combination of money returns and advantages which he considers sufficient recompense for his personal efforts and the capital he has invested. This reward may be less than the economist believes the retailer should get, but the fact remains that the true cost of retailing is measured alone by the minimum reward which the retailer will accept. Below this minimum prices cannot go without a withdrawal of the supply of retail services. The compensations that offset the loss of money costs are not hard to find. The retailer is his own boss. He has a feeling of independence derived from his proprietorship which he values highly. He is willing to forego certain money returns if he can preserve this independence. He may be willing to supply his services even if neither interest on investment nor profits are received. Interest and profits, then, are not necessarily costs that must be met in order to get retail service viewed in the aggregate. It is true that a retailer may quit business because he does not get what he considers his costs, but just so long as these vacancies are filled promptly by newcomers, just so long will the supply of retail services remain unreduced.

Economic Costs in the Professions.—It is doubtful whether all economic costs are paid in any field of activity. College professors are spoken of as being "underpaid," a statement which must mean that in view of their investment professors are not getting adequate returns. But from whose standpoint? Assuredly not from the standpoint of the professor himself, because he persists in his profession and new human material enters the profession as the old wears out. A four years' college education plus three years of professional training, costs, on the average, for the seven years, $10,000 (allow-

ing $600 for nine months' college expenses each year and $900, or $100 per month, for deferred earnings). That society has to pay to each professor every year $500, or 5 per cent interest on this sum, in addition to what his teaching labors are worth, does not necessarily follow. One may argue that this interest charge is already levied upon society and is included in the wages of teaching. This has little semblance to truth since a subtraction of $500 from the salary of every professor would leave a balance much below the wages of a common day laborer. The solution of the difficulty must be obvious. The costs of the professor are higher than those of the day laborer, but he does not withhold the supply of his services from the market in case these costs are not met. Many compensations apparently serve to offset the failure of society to pay the money costs involved. These compensations may differ in individual cases, but some of them may be enumerated, as for instance, opportunity for independent research, library or laboratory facilities, freedom from care, certainty of tenure, social esteem, love of work, absence of exacting supervision, vacations, etc.

Costs have a wide range of elasticity. The minimum costs must be met if a supply of either professional or retail services is to be forthcoming, but the maximum costs (all of the costs) can be secured only in exceptional circumstances, usually those of monopoly. Competition tends not only to eliminate profits, but also to prevent a recovery of the entire economic cost. No matter in what field of endeavor, society gives only sufficient remuneration to insure the prompt supply of services. More remuneration would stimulate oversupply, while less than this minimum would fail to bring a sufficient supply to the market. Competition, then, regulates returns; not some external being's belief of what is "fair" or "proper." All that can be given as regards costs is an enumeration of what are usually considered costs.

CHAPTER XVII

THE COST OF MERCHANDISING (CONTINUED)

Bad Accounts.—All dead accounts should be charged into the cost of doing business. When are accounts dead? After every effort made to collect them has resulted in failure. How many efforts should be made? This all depends on the individual case. In some cases it may be evident thirty days after the bill is due that no hope can be held out for its payment. Possibly the debtor has moved away, or has become incapacitated so that he is unable to fulfil his obligation. In other cases, a year or two may possibly elapse before all hope as to final collection need be given up. A judgment must, however, be made on each account as to its collectibility, after all of the facts pertaining to it have been carefully analyzed. Mistakes will naturally be made in a small percentage of these judgments, but it is better to have some such definite policy of deciding on the merits of old accounts than to let them drag along unsystematically in the vain hope that for some reason or other they may prove of value.

Percentage of Bad Debts.—Profits are a return for those risks of business which cannot be insured. The risks of bad debts can be insured. They are usually a quite definite percentage of the gross sales. This percentage should be determined and placed in the cost of doing business; otherwise it will not be paid by the customer. The difficulty in arriving at a working percentage is usually due to the reluctance with which retailers admit the worthlessness of an account. Long after its uncollectibility is established some vague hope of

collecting it may remain, hence official cancellation of it may be postponed for another year. An account is usually declared worthless only when the circumstances related to it become blurred and unfamiliar in the mind of the creditor. How difficult it is for retailers to admit their losses and write them off the books is evidenced by investigations made by the writer which showed accounts 5, 10, 15, 20, and 25 years old. These accounts were listed each year as assets and served to fool the proprietor into thinking that his business was more prosperous than it actually was. Willingness to take a loss is part of business courage, but the retailer takes the loss whether he is willing or not. Refusing to recognize the loss does not eradicate it; it is still there whether it is called an asset or a liability. When not recognized as a loss it is met out of business profits, but when recognized it is being paid for by the customer.

Effect of Bad Collection Methods.—Bad accounts are not as they are often believed to be, predetermined. They are very often the product of bad collection methods. In other words, retailers may be the means of killing some accounts. Most accounts in order to live need an airing at least every thirty days. Bills sent regularly to the debtor are the only means of communication between the account and its creator, and as long as these are received a spark of life exists. The moment he no longer receives a bill, the debtor feels that nothing more is expected of him and that his obligation ceases. If the collection methods are faulty, he may after several months receive another bill, but it impresses him lightly. It is as a voice from the dead and the hard-headed debtor does not believe in spirits.

A merchant who lets a debt get stale is creating bad accounts. When is a debt stale? At the moment it could have been paid but was not. When can any debt be paid?

After pay-day. In some localities the clientele of a store are paid weekly, in others semimonthly, in still others monthly. Or, part of the store's customers are paid at the end of one of these periods, part at another, and part at still another. At any rate, there should be an understanding just when the account is due, and it should be due on pay-day whenever that is. The customer should be held to his agreement to settle accounts on pay-days or some good reason should be given for not doing so. Unless this is done the death warrants of a good many accounts are signed.

The retailer should realize that he has not only the power but also a duty to create paying habits. This is not only a duty to himself and to the prompt paying customer who must eventually pay higher prices for goods because of the bad debts of others, but also a duty to the careless customer. The latter, if left to his own devices and tendencies, becomes improvident, shiftless, and irresponsible. If only the customer suffered it would be of little public concern, but the harm does not stop there. His wife and children are handicapped and lose their self-respect. It is for the sake of the latter that more efficient collection methods should be followed in the future. Cases are known where improvident customers have been made thrifty, reliable citizens by a determined retailer. He can often do more to encourage thrift than the banks because he comes into intimate contact with great numbers of people who never step into a bank.

Credit Associations.—In spite of all that might be done if retailers were more strict in collections, the fact still remains that long credits to customers exist. Why is this? Chiefly because of intense competition. Under such conditions, the only remedy lies in the formation of a credit association in which all the merchants of the community have membership. After such an organization had been formed in a certain town,

investigation showed the startling fact that in the majority of cases the debtors of each store were the same persons. Very promptly these irresponsible customers found themselves barred from credit purchases in any store in town. The merchants in that town would not think of going back to the old haphazard way of selling on credit. They have all gained by co-operation, and the irresponsible as well as the responsible customers are better off because of the new method of handling.

Operation of a Credit-Rating Bureau.—A credit-rating organization functions as follows: In the first place, a central agency is necessary where each merchant in the organization can send his ratings of customers, and from which he can at a moment's notice secure the rating of any customer. The equipment of this central agency, or clearing house of information, need be but a single room with card indexes of customers and their ratings in charge of a capable person, usually a woman. On each card, which should be about 3 by 5 inches, is the name of an individual, the code number of the merchants who have reported on this person, and opposite this code number the rating which these have given with the date of each. The merchant's identity in each case is obscured by a code number, so that anyone looking over the files would be unable to tell the source of the individual ratings. The date is given so that the value of each rating is apparent.

To illustrate this system, it may be supposed that there are 100 merchants in the credit organization, each of which is given a number somewhere between 1 and 100. Habits of paying may be represented by A for 30 days, B for 60 days, C for 90 days, D for beyond 90 days, and E for hopeless. These symbols may be still further interpreted as follows: A prompt; B good; C good, but slow; D risky, very slow; E bad. Obviously more classifications may be made if cir-

cumstances demand. In view of this information a card may appear as follows:

John Jones, 1718 Falkner Street, City
Occupation—machinist Term of residence—3 years

78—A Feb. 10, 1921
17—C Feb. 11, 1921
6—A Feb. 16, 1921
82—B Feb. 19, 1921
45—A March 14, 1921
64—A March 22, 1921

Let us say that John Jones enters a certain store for the first time and asks permission to charge his purchases. The proprietor or his office girl calls up the credit bureau and asks for a rating on John Jones. The credit bureau's secretary replies: "Four A's, one B, and one C, February and March." This store then knows that it has a prompt-paying person as a prospective customer and accordingly it extends him credit. If three of the ratings were D's and three E's, it would very probably be wise to sell the customer goods for cash only, or C. O. D. Of course if the retailer desired to extend the customer credit he could do so, but he would be taking the risk with his eyes open. Very often this has happened. In their efforts to get trade merchants have disregarded the warnings of the credit bureau, but, like the mariner who disregards weather signals, have usually lived to regret their action. In communities where the credit bureau has taken root, retailers abide by its indications and do not take unnecessary risks.

The Secretary.—As with every system, there are difficulties encountered in running an efficient credit bureau. One of the greatest of these is the failure of members to report ratings regularly and promptly. The value of any credit bureau

increases directly with the number of ratings. If the members become lax in making their reports, the bureau soon falls into disrepute. However, in order to be able to determine the value of any ratings that do exist, it is necessary to give the date of each rating. Usually the value of any individual rating decreases directly with its age. Hence the necessity of keeping it up to date, a duty which an enthusiastic, energetic secretary can accomplish more successfully than anyone else. The secretary can make or break the system. Merchants do not intentionally disregard making reports, but they neglect them because of other duties. An energetic secretary gets these reports either over the telephone or in person. Usually it is difficult to go for them in person because her presence is required at the office during business hours. If a merchant calls up the credit bureau for a rating and fails to get a reply, he will in all probability extend credit to the applicant; and, unfortunately for the credit system, he will be much more inclined to use his own judgment the next time a demand for credit arises. When a few of the leading merchants succumb to this habit, the efficiency of the bureau is materially lessened. Likewise, if the telephone of the credit bureau is always busy, requesting merchants to report customers, other merchants who desire to get ratings may be unable to do so. Rather than to keep the customer waiting the merchant will use his own judgment in extending the credit.

Methods of Meeting Expenses.—There are several different methods of meeting the expenses of credit-rating bureaus. One method is for each member of the association to pay his pro rata share of the expenses, estimated in advance. Another plan is for each merchant to pay according to the number of calls made for ratings. Neither of these is very satisfactory, because the first lays an equal burden upon both the small and the large merchant, while the latter serves to

reduce the number of calls made for service and endangers the revenue necessary for meeting expenses. Perhaps the most satisfactory method is to apportion the expenses (estimated in advance) according to the gross sales of each merchant. This is based on ability to pay as well as service rendered, and is usually quite satisfactory to both large and small merchants. The total expense of running a credit bureau in a town of 15,000 inhabitants is about $750 a year. Obviously, the location of the bureau office and the elaborateness of its equipment will to some extent determine the costs, but the main expense is the secretary. Generally speaking money is not saved by hiring an inexpert secretary. If price reflects capability, a high-salaried secretary is the least expensive in the end.

Causes of Failure.—The main cause for the failure of credit bureaus has been the delinquency of retailers in reporting ratings. Having installed the system, merchants often think that their duty ceases. They appear to believe that it will automatically render service without their aid. They hire a secretary to take care of the details and feel that she should make it a success. In some cases merchants have even been known to resent a call from the secretary for rating information. Only when each merchant feels his responsibility in making the system a success will it be a success.

Another cause for failure has been the refusal of many merchants to join the association after it was formed. This reluctance on the part of some to co-operate for better business and for community welfare has sometimes even prevented the organization of credit bureaus. Many communities do not have a credit bureau because of the inability of the merchants to "get together." However, where some merchants refuse to join, it is still to the advantage of those progressive enough to see the possibilities of the organization to put the

matter through, with the hope that those who are holding back will join later when the benefits of co-operation are known to all. The experiment often has to be performed by the daring few. Others, later on, are glad to come in for the benefits. Such a condition must be expected; a community would grow old waiting for equal initial co-operation from all who would be benefited.

Delivery.—All delivery expenses are a cost of doing business. This item includes: the cost of vehicles used to transport goods to customers' homes; supplies; repairs; garage and stable expenses; the cost of labor necessary to supervise and carry out delivery; depreciation and obsolescence of equipment. The delivery expense should be kept separate from the general expense of the store, since failure to separate this expense makes it impossible to determine its percentage of the gross sales. If this item were not kept separate, it would be impossible also to compare the store's delivery expenses with delivery expense percentages found in trade journals and those given by other merchants; and furthermore, if for any reason delivery should be discontinued, it would be difficult, if not impossible, to know what reduction to make in retail prices.

During the Great War when conservation made popular the "cash and carry" system, merchants all over the country were confronted by the problem of making reductions in the price of goods that were carried by customers. Not knowing the actual costs of delivery, reductions were made by guesswork. As a result 5 and even 10 per cent reductions were made. In these cases the actual delivery expense no doubt ranged from 3 to 4 per cent. A policy of making reductions in so unscientific a way, if it were to be continued for any length of time, would consume a large portion of the business profits.

"Cash and Carry" versus Delivery.—Many merchants would like to see the "cash and carry" system perpetuated. This is true because there has been much waste in both credits and deliveries. Customers have demanded several deliveries a day, often of insignificant articles. If one merchant has attempted to keep pace with the more extensive demands, others have been forced to follow. Competition of service as well as of goods has thus duplicated and extended service until the costs of delivery have mounted higher and higher, and the prices of goods have risen to meet the new costs.

Yet the "cash and carry" system will not displace the present system. Credit and delivery are not bad in themselves. They are valuable services which the customer can ill afford to give up, and economy would not be secured by having customers carry their purchases. Lack of delivery would entail greater expense upon the community than the present inefficient system; burden-bearers are not efficient people. It is the abuse of these services that must be corrected. Earlier in this chapter it has been stated that credit abuses are partly the fault of the retailer, and certain methods have been advanced for correcting present inefficient methods of extending credit. It is our purpose here to show wherein the delivery system may be made more efficient. Greater efficiency is merely another term for lower costs, and the latter has ever meant a lower price of goods to the consumer when competition has been active. That it is active in retailing few will deny.

There is no doubt that there are abundant opportunities for greater efficiency in individual delivery equipments. Better routing, more economical and up-to-date vehicles, savings in labor, and so forth, may cut down the delivery costs of any store. But it is not these wastes so much as the great waste of duplication, viewing the stores as a whole, which commands the attention. Half of the amount of labor and

capital expended on delivery service is unnecessary. If all of the communities of the United States were included, the excessive amount of labor and capital used for delivery purposes would reach a huge figure. This superfluous expenditure is paid for by consumers.

Central Delivery Systems.—There are several methods of eliminating this duplication of effort. All of them are included under what are known as central delivery systems, and are more or less co-operative in character. In the first place, there is the system in which the merchants' equipment is purchased by an individual who manages a central delivery for profit. In the second place, a corporation with its own equipment is given the privilege of operating a central delivery, the merchants having no direct control. In the third place, there is the co-operative system in which the merchants hold stock and have control through a manager.

A Co-operative Retail Delivery System. — The latter method of central delivery has had quite extensive success and deserves some detailed attention. A description of a typical system now in operation will serve to indicate how it is conducted: [1]

> By a co-operative system of delivery, the merchants of Ann Arbor, Mich., give a service of five deliveries a day within the city limits, a service conceded to be far more satisfactory than the former one and employing only seventeen wagons where seventy would be operated by the old individual method, so that with the improved service there is also greatly reduced expense.
>
> This system was inaugurated in Ann Arbor in 1907. A company was incorporated, capital stock $10,000, shares $10

[1] W. S. Bittner, Co-operative Retail Delivery, Bulletin of the Extension Division, Indiana University, Sept. 1917.

each. Twenty-two merchants took twenty-five shares each, providing a working capital of $5,500.

A suitable lot was at once purchased, 80×132, at a cost of $3,600, and a central station erected, costing $7,800. So the new company started out with a considerable indebtedness, all of which has been wiped out, however, in less than seven years, and an adjoining lot bought and paid for at $2,500.

Deliveries are made for any merchant. Members, however, buy their coupons at a lower rate than non-members. After deducting the income from the deliveries for those who are not stockholders of the company, the balance of the expense is pro-rated among the stockholders in proportion to the number of deliveries that are made for each. Grocers who are members pay 3⅜ cents for one delivery, while the charge to grocers who are not members is 4⅛ cents. (Rates were increased in 1917.) A grocery delivery is an order of less than 100 pounds to one address in one, two or three baskets.

Stockholding butchers pay 2⅜ cents per delivery while nonstockholding butchers pay 3⅛ cents. (Rates were increased in 1917.)

All coupons, or rather, tags, are sold for cash and in lots up to 100, 200, 500, 1,000, and 2,000. The merchant uses one tag for each order (delivery to one address), filling in not only the name and address of the customer, but also the number of the route. The entire city is divided into sixteen routes and each merchant has a route book, printed and alphabetically arranged as to the streets, so that the route number of any address is instantly found in the index, although, of course, the merchants and their clerks are very familiar with the routes now and are seldom obliged to refer to their book. Each merchant also stamps his coupons with his firm stamp, so the tag (coupon) tells the whole story on its face; its price, the firm, the customer, and address, and the route number.

In the morning the drivers report at the central station at 6:15 and start out with their wagons. Each driver has certain stores to which he delivers the "empties" (each merchant provides his own baskets or boxes, marked with

his name) and from these same stores he collects the orders to be delivered, returning to the central station with them. The wagons are then backed up to a long bench or shelf, running down the center of the station, and the baskets and boxes are unloaded and shoved along according to the route numbers on the tag, so as to distribute the orders to the proper wagons in a very few moments. As the driver delivers, he takes the tag off the order and these tags are turned in at the office, tied and stacked in each merchant's name and held for a time for reference in case of complaints, or for checking up.

In coming back to the central station after delivering, each driver stops at certain stores most convenient to his line of travel, leaves whatever "empties" he may have belonging to these particular stores, collects the orders that are ready, and brings them to the central station. Each merchant gets back all of his "empties" at noon and in the morning.

For C. O. D. orders, envelopes are furnished instead of coupons and for these, merchants pay ⅛ cent more than for the straight delivery tag. All the drivers are under bond. Making the collection is quite a service.

On a recent Saturday the company made 3,348 deliveries, including 315 C. O. D. orders. It should be stated that the drivers work from 6:15 A.M. to 5:30 P.M. and on Saturdays to 7:00 P.M.

Provision is also made for the delivery of consignments to merchants from out-of-town shippers, such items being a matter of $50 a month to the company and are easily handled, the same as returning "empties" to the merchant.

Another source of revenue is the service for package delivery for citizens who telephone for a wagon to take a bundle to the washwoman, or any service of special nature. Still another source of revenue is from 5-cent and 10-cent coupons for shoe, clothing, dry-goods stores.

There are eighteen routes, but the company has twenty wagons and twenty-one horses. Two Ford automobiles have been put on recently to take care of special deliveries. Eighteen drivers are employed. An extra driver handles special calls, which include service from the railroads to

the merchant. A day barn man and a night barn man, with bookkeeper and manager or superintendent, complete the force.

An idea of the expenses may be gained from the following figures for 1913:

Pay-roll	$13,547.65
Feed bill	2,437.02
Light and fuel	170.68
Repairs	613.85
Horse account (lost 2 horses)	325.00
Wagon account	210.00
Horseshoeing	604.05
Harness	84.25
Claims (damaged, broken, etc.)	117.24
Miscellaneous	930.38

The customers, since the installation of this system, have been well pleased.

A Privately Owned Central Delivery System.—In Janesville, Wis., is found an illustration of a privately owned central delivery system, owned and operated by two men who claim to operate at two-thirds the cost of the former individual system. This private system has no rigid contracts with the merchants, the latter being under no obligation to use the service if they are not satisfied. The system makes good lost orders, damage to goods, and uncollected C. O. D. orders, and furnishes all equipment. Peter V. Kuhn, general secretary of the Commercial Club of Janesville, gives a brief description of the system's operation as follows:[2]

> So far as the merchants are concerned the delivery system here is not really a co-operative system. It is operated by a private company. The men who organized this com-

[2] W. S. Bittner, Co-operative Retail Delivery, Bulletin of the Extension Division, Indiana University, Sept. 1917.

pany made a study of what it was costing each merchant for his deliveries when they were undertaken individually. This information was gathered by making inquiry of the merchant himself and also his fellow-merchants as to their estimate of each other's business. When these men had satisfied themselves thoroughly as to what it was costing each merchant to make deliveries, they went to each individual merchant and offered to take charge of his deliveries at a definite fixed price per week, which they knew to be less than it was costing the merchant. These figures, I believe, were simply based upon the former cost to the merchant himself, and they do not vary from week to week. Each merchant simply pays a flat sum for his own deliveries the year round. In this way it is proving less expensive than formerly, and in addition, the merchant is relieved of a great deal of trouble.

The Janesville Delivery Company is giving perfect satisfaction, and handles deliveries for all kinds of merchants.

Percentage Cost of Delivery.—Whether the central delivery system is owned by private individuals, a stock company or co-operatively, the outstanding feature of nearly every system is a material reduction in the costs of delivery. This reduction runs from 20 to 50 per cent. Exact figures are difficult to secure because many merchants have failed to keep an exact account of delivery expenses. But it is safe to say that on the average any of the three methods of central delivery will reduce delivery expense from one-fourth to one-third. In individual cases it may be more or less than this.

What saving this would be on the gross sales can be determined only by ascertaining to what percentage of the gross sales delivery expense usually amounts. Investigations differ on this point. One study[3] concludes that the total

[3] Harvard University, Bureau of Business Research, Expenses in Operating Retail Grocery Stores, Bulletin No. 5, Cambridge, Mass., Harvard University Press, 1915.

delivery expense of retail grocery stores varies between 1.1 and 5.9 per cent of gross sales, with an average of 3 per cent. The delivery expense amounts to about 18 per cent of the total costs of doing business. Another report[4] indicates that the delivery expense of grocers is from 5 to 7 per cent of their gross sales. National delivery cost standards found in another investigation[5] are as follows: grocers, 2.53 per cent; department stores, 2.01 per cent; dry-goods, 1.02 per cent; clothing, .65 per cent; drugs, .51 per cent; shoes, .46 per cent. In department stores the cost of delivering an average package, regardless of size, ranges from 5 to 8 cents, while the run of distributors pay from 5 to 11 cents.[6]

From a statement of the percentage costs of delivery, it is seen that a saving of from one-fourth to one-third of delivery costs would amount to a saving of from 1 to 3½ per cent of the gross sales. In other words, in a grocery business with gross sales of $50,000 there would be saved from $500 to $1,750 per year; in a department store with gross sales of $200,000 there would be saved about $2,000 per year; while in a dry-goods store with gross sales of $100,000 a saving of about $500 would be made. All of these are substantial savings which any store can ill afford to lose unless there are some gains from individual delivery which offset the loss. Are there any such gains?

Objections to Central Delivery Systems.—Obviously, an individual delivery system enables a store to render special service to its customers. Competition between stores is usually keen, and a delivery system offers great possibilities for rendering service which will impress the customer. To sacrifice this

---

[4] A. H. Andrews, Co-operative or Central Delivery System, unpublished report, New Britain, Conn.

[5] Wheeler Sammons, Keeping up with Rising Costs, Chicago, A. W. Shaw Company, 1915, p. 98.

[6] *Ibid.*, p. 99.

real or imagined advantage in the hope of some offsetting gain is sometimes a formidable stumbling-block to the introduction of a central delivery system. Yet the advertising value of the individual delivery may be costly because of an overestimation of its effectiveness. "Most store delivery wagons advertise a store's weakness, for the best delivery service makes frequent errors and *one* error makes a stronger impression than one hundred deliveries perfectly made." [7] The central delivery makes errors, although perhaps not so many in proportion to the merchandise delivered as do individual deliveries, but most important of all, each error does not count so strongly against the individual merchant. He is blamed by the customer no more than his competitor is blamed.

No doubt one of the chief reasons why more central delivery systems do not displace individual systems is that merchants do not desire to be dictated to from the outside. They have built up their business and feel confident that they can continue to carry it on without outside help. This strong individualism is hard to contend with and has wrecked more than one scheme of community co-operation. Only a tactful leader can induce such men into a co-operative enterprise. Only too often the mistake has been made of attempting to drive them. They must be convinced of the system's advantages. This means a command of knowledge regarding the systems that have been tried out, with data of costs, methods of working, management, and so forth. Ignorance is always an obstacle to new and more efficient methods and often takes the form of an extreme individualism among certain kinds of merchants. The breaking down of this barrier to co-operative understanding must be accomplished if delivery costs are to fall.

---

[7] W. R. Hotchkin, *System*, July 26, 1917.

Adapting System to the Community.—A central delivery system co-operatively owned and operated by the merchants is not the only form that co-operation in reducing delivery costs may take; any concerted action among merchants to abandon their individual deliveries and to agree to have some centralized agency perform this task is co-operative. The agency may be any one of three already discussed. Which of these is the most satisfactory under all conditions is difficult to say. All three have proved satisfactory under different conditions, and it is safe to say that each has its advantages. Some communities have awakened more than others to the advantages of co-operation, hence the system must be adapted to the community rather than the community to the system. Private ownership of a central system may be the most practicable means of starting a movement which eventually may be taken over by a strictly co-operative organization.

CHAPTER XVIII

THE COST OF MERCHANDISING (CONTINUED)

Advertising.—Newspaper, window display, direct-by-mail, poster, and street-car advertising, and other publicity methods and devices are included in the costs of doing business. The larger the business, the greater the necessity for keeping each of these advertising expenses separate. By so doing, increased sales during a particular period may be intelligently traced to their cause, which may have been the extensive and careful utilization of some one factor of publicity. Generally, of course, all merchandising factors blend to produce a result; even then, an effectual analysis of advertising is the only sure way of making publicity increasingly effective.

Percentage of Gross Sales.—Generally speaking, retailers, especially the smaller ones, spend too slight a percentage of their gross sales on advertising of all kinds. Very often they spend not more than ¼ per cent. Experience has shown that on the average at least 3 per cent of the gross sales should be spent on this item. In some cases merchants have found that 5 per cent is not too high. Only a careful study of results produced from advertising can determine, in the long run, just what percentage is the most advantageous for each merchant. Competition, the character of the clientele, facilities for advertising, and other factors must also be taken into consideration. To lay down a definite percentage of gross sales that should be expended in individual cases is extremely difficult, yet it is well for the retailer to take note of the amount usually spent by successful stores, and to adhere quite

closely to a proportionate percentage, unless there are special reasons for not doing so. Such an amount for any merchant lies somewhere between 2½ and 3 per cent of the gross sales.

Inefficient Advertising.—More important, however, than quantity of advertising is quality. Much of the money spent in retail advertising is thrown away. This is true because ill will instead of good-will is created by it. In other words, the elementary principles of advertising are not followed; the writing of the advertisement is often deferred until the last minute, and in some cases is turned over to the newspaper publisher. Because increased sales do not result from such advertising, retailers grow to feel that advertising is ineffectual as a means of increasing their business and place it in a subsidiary position in their scheme of procedure. Only by following the principles of advertising and turning over the copy to some one competent to do the work will expenditure for this item produce its maximum possibilities.

In the small store, advertising is usually inefficient because the proprietor assumes the duty of copy-writing, together with a hundred and one other duties. The sooner the small retailer realizes that he cannot do everything himself, the more efficiently will he function. There is usually someone in every establishment who is better adapted for writing copy than anyone else. He may be the proprietor, and he may not. Some obscure clerk, if given the responsibility, may do the work with distinction and profit to all concerned. At any rate, it is only by co-operating with those working in the same store that all the varied duties of retailing can be worked out efficiently.

Segregating Advertising Expenses.—It has been indicated that it may be desirable in some cases to keep the expenditures for different kinds of advertising separate. It may likewise

be found desirable, especially in the larger stores, to keep the advertising for each department separate. Thus, if a large amount of window space, newspaper, and poster advertising is used to call attention to the goods of any one department, that department may be made to bear the advertising expense, or, even if other departments are made to bear it, it may be known for what department the expense was incurred. The most direct relationship between effort and result is thus secured, and misapplied energy is reduced to the minimum.

Subscriptions and Donations.—Demands for subscriptions to community enterprises and donations to worthy causes are constantly being made upon merchants. Under certain circumstances, such payments come legitimately under the costs of doing business.

Good-Will. In the first place, these contributions may be made in order to secure or maintain the good-will of certain individuals or organizations. This may be viewed as a species of advertising, not with a view toward immediately increasing sales, but rather toward building up the good-will and reputation of the store. It is well, however, to keep these items separate from advertising expenses, for purposes of analysis, since they are a special kind of advertising. On the other hand, if these subscriptions and donations are requested from the merchant as an individual and not as a merchant, they are not legitimate costs of doing business. For instance, if a merchant is a Methodist and is asked to subscribe to a church celebration, he should not call this subscription a cost of doing business if other Methodists, no matter what their business, are making subscriptions according to their ability to the same cause. If, however, he subscribes more than his private income permits because he sees increased business in the venture, the amount in excess of that which he would have subscribed had he not been in business should be charged to the costs of doing

business. Moreover, if the Catholics, let us say, request a subscription for a similar end from the Methodist merchant, all of the amount subscribed should be charged to the costs of doing business, because none of this amount would have been subscribed if the subscriber had not been in business.

Instances have come to light in which merchants have charged to their business, commercial club dues, subscriptions to the cost of erecting a memorial to the community's soldiers who fell in the Great War, Red Cross subscriptions, and the like. These items are not strictly costs of doing business, since others in the community who are not in business have given to the same or similar causes in proportion to their ability and have accepted the charge as one against their personal income, not attempting to secure it directly from those to whom they were selling their services or goods. It may be argued that it is right to make such charges against the cost of doing business, since the proprietor does not take a large enough salary out of the business. But, as already indicated, the proprietor should take out a salary equal to that which he could earn in the same capacity if he worked for someone else. If he does this there is no occasion for reimbursements from other accounts, while if he does not do this the reimbursements from other sources merely cloud the accounting situation and prevent accurate analysis. The first principle in store accounting is to attach a legitimate name to each item, and thus avoid misunderstanding.

Direct Returns. In the second place, subscriptions and donations which bring direct returns to the store are correct charges to the cost of doing business. It is known that a "sauerkraut day" (Walnut, Iowa), or a "fried fish day" (Beardstown, Ill.), brings people to town and directly results in increased retail sales. Obviously people who are not in the retail business do not benefit from such occasions as much as merchants, and therefore the latter should defray the bulk

of the expense of such ventures. Usually this is the case, although subscriptions are very often given in inverse ratio to results received.

Ultimate Benefits. In the third place, subscriptions and donations which will ultimately help the community and also business are chargeable partially to personal account and partially to the cost of doing business. This is logical because anything that makes the community more attractive residentially should enlist the support of every citizen regardless of his calling. On the other hand, the fact must not be overlooked that a man in business is much more dependent upon the community's success than are other men in the same community. Because of this larger interest and the attendant risk, the merchant is justified in calling part of his expenditures for community welfare a cost of doing business, provided these expenditures are larger than those of persons with equal paying ability who are not in business.

Co-operative Donation.—In some towns requests for subscriptions and donations have become so numerous, and for enterprises of such doubtful validity, that some special co-operative effort in combating this evil has been necessary because one merchant alone can seldom afford to refuse to subscribe and risk incurring displeasure and ill will. This co-operative effort has usually taken the form of a committee appointed by the merchants, which passes on any requests for subscriptions or donations before any merchant agrees to subscribe or donate. This method enables merchants to do collectively what it is impossible for them to do individually because of competition, and cuts down an expense which had become burdensome. It likewise does away with many fraudulent schemes which seem to be able to get a hearing in any community in which certain individuals are without a reasonably developed sense of responsibility.

Taxes and Insurance.—The items taxes and insurance may be kept separate for analysis, but they are often combined for convenience. Taxes on fixtures, stock, and the like, are more or less fixed in character and are beyond the control of the merchant. Usually he experiences greater difficulty in cutting down this item than in cutting down the items previously enumerated in the cost of doing business. Insurance (fire, plate glass, burglar, etc.), on the other hand, has often been cut down by making the insured property a better risk. Sometimes a talk with the insurance agent will be productive of suggestions that will make a decrease possible. After one such talk, a certain merchant cleared up a heap of boxes, barrels, and rubbish near a shed at the rear of his store, and as a result reduced his fire insurance premium by 15 per cent. One store found that it could pay for a sprinkler system in five years through reduced premiums directly resulting from the installation of such a system. In this case, after the five-year period, the reduced premiums will be a net gain, and a large one.

Stolen Goods.—The amount of goods on hand at the beginning of any period, plus the purchases during that period, minus the sales, gives the amount of goods on hand. A physical inventory will reveal whether or not the amount that should be on hand is actually on hand. If it is not, the difference between the estimated stock and the actual stock should be written off the books as a loss and charged to the cost of doing business. Perhaps the goods have been stolen by the salespeople, perhaps by the customers, or they may have been lost; whatever the cause, the loss is a legitimate cost of doing business and should be borne by the customer in the mark-up.

Thefts Committed by Customers.—The stolen goods problem is difficult to solve, especially in some of the larger stores

where the crowds are dense and shoppers carry handbags. In one store, the situation became so bad that it was necessary to deny customers who carried handbags entrance to the store. In another store, the expensive cut glass was finally locked up in a special glass-room in the middle of the floor where formerly it had been displayed on open tables. By employing detectives and other protective measures, stealing has been reduced but not eliminated. Indeed, it is a question whether a store should try to eliminate it, because of the means which would have to be adopted to overcome it. Open displays would give way to displays behind glass, thereby eliminating theft but likewise reducing the volume of sales; close surveillance of each customer would have to be practiced, thus antagonizing many honest people; and other methods would have to be adopted which would be disadvantageous in competition with other stores where supervision and methods of reducing theft were not so rigid. The most satisfactory policy is to eliminate the most obvious theft and charge the balance to the cost of doing business. The frailty of human nature is one of the conditions that the store has to meet, just as it submits to the irregularities of weather. Coal and electric fans are provided to meet the varying weather conditions successfully. In the case of the store, some goods must be sacrificed in order not to antagonize those who are beyond suspicion.

Thefts Committed by Salespeople.—Where thefts are committed by salespeople devices have been arranged to prevent them. One of the most successful of these devices is the inspector's label. When goods are purchased by the salesperson, the inspector's label is pasted on the package when it is wrapped. No parcel is allowed to be carried out of the store unless it bears this label. Of course it is possible for a salesperson to secrete some article in a coat pocket or a muff, but if these smaller articles are consistently missing

when the estimated stock is checked up with the physical inventory, suspicion will be cast on the salesperson. That it is possible to steal small articles here and there in the department through the year without much fear of detection, no one will deny. All that a store can hope to do is to eliminate a large part of the theft.

It is sometimes a delicate matter to install an inspection system in a store where salespeople have been in the habit of carrying out unidentified packages whenever they desired. The only hope of success has been to show that such a system protects the honest salesperson. Without some such scheme suspicion may fall where it is least deserved, while the store can justly be condemned for throwing temptation before the weaker members of the selling force. To ascertain the salesperson's point of view in regard to such a system, is to insure its working successfully. To attempt to install it arbitrarily, is to court disaster.

Inventories.—In order to prevent gross dishonesty it is necessary to take inventories several times a year. Some stores have a department inventory every month, others every two months, still others every quarter or half year. One inventory a year is inadequate, not only because of the defective analysis that inevitably results, but because of the attendant impossibility of discovering stock or money discrepancies before it is too late to run down the source of the trouble. It offers a loophole for dishonestly inclined salespeople, whereas frequent checking up between stock and sales insures prompt discovery of loss and an increased possibility of placing the blame.

Ingenious Methods of Stealing Cash.—It may be thought that the method of identifying packages through inspection will largely prevent theft by salespeople. It will go far toward

eliminating the theft of stock, but not of money. There are many ingenious ways in which large amounts of money have been stolen from different departments. In a department store, over $700 was stolen in nine months in the trunk department before the discrepancy in money between stock and sales was discovered. This theft on such a large scale was accomplished by a method which is suggestive of the possibilities in this direction.

Suppose a customer purchases a traveling bag at $15 and a trunk strap at $3.50. When asked if he will have the purchases sent, the customer says that he will take his purchases with him, and as the salesman begins to enter the transaction in his duplicate sales books, the customer lays a $20-bill on the counter. The salesman then gives the customer a duplicate slip correctly made out and totaled, while the money is wrapped in the original sales check and sent to the cash girl by means of a carrier or tube. The carrier returns the cash receptacle, the salesman opens it, takes out $1.50 and gives it to the customer, who thereupon takes the merchandise and leaves the store. This transaction appears to be perfectly honest, yet after the customer has gone, the salesman walks back to the cash receptacle, takes out $15 and puts it in his pocket. How does it happen that $15 comes back in the cash receptacle? In this particular case the salesperson had inserted a steel point in the socket on the rubber end of his pencil. While he was apparently recording the first purchase, he was merely tracing the letters with the steel point on the original. The point, however, was writing the item on the duplicate because of the carbon. He took the lead end of the pencil and recorded on the original the sale of the strap. Then with the steel end he totaled the transaction. Only one item—the strap—appeared on the original sales check, while on the duplicate appeared a correct record of the sale.

Many equally ingenious methods for stealing cash have

been uncovered, and all have existed where either infrequent inventories were taken or where these inventories were haphazard and inaccurate in character. If salespeople feel that there is a methodical, frequent checking up of goods and sales, a great moral force is created which increases their selling efficiency by removing temptation. It also prevents loss which may seriously reduce profits and handicap the ability of the store to serve the public.

Fuel, Light, Power, and Ice.—As with other combined items of the cost of doing business, it may at times be advisable to keep the items fuel, light, power, and ice separate for purposes of analysis. In regard to the first item there is much waste at present because of ignorance of quality of coal. Coal is usually purchased at so much a ton, sometimes the cheaper coal being purchased in the hope of saving money. Since coal is valuable, however, only from the standpoint of what it can accomplish—thermal heat units—sometimes the cheaper coal is actually the more expensive to use. A study of the content of different grades of coal available for use in any community will be productive of a saving in this item of the cost of doing business.

In regard to the second item, to get the maximum light and the right quality of light with the minimum of expense is the problem that every merchant faces, whether or not he solves it. To be certain that this item is no larger or smaller than it should be, there should always be some means of obtaining accurate information in regard to the different systems of lighting, as well as the relative efficiency of each for the purposes to which they are put. Thousands of dollars are lost in most communities every year because of inefficient store-lighting systems. This loss does not merely include wasted light, but also lost trade. The efficient lighting system costs no more than the inefficient one, because if a commodity

is needed for efficiency's sake, it is paid for, whether purchased or not. The two remaining items in the classification are self-explanatory.

Telegraph and Telephone.—Sales can often be increased by installing more telegraph and telephone equipment. An adequate telephone service is necessary in stores, and especially grocery stores, some of which have one phone when they could advantageously use two or possibly three. To call up a store time after time and find it "busy," exasperates customers and diverts trade to those stores that have prompt service; and prompt service from salespeople is no more necessary than is prompt telephone service, yet the latter is more often overlooked than the former. Seldom is telephone expense too large; usually it is too small.

The same may be said regarding telegraph expense. To order goods by mail instead of by telegraph when the merchandise is needed quickly, indicates a failure to render the prompt service that a customer desires. The new merchandising lays emphasis on smaller stocks and quicker turnover, so that as one garment is sold another may be ordered. Ordering by telegraph and shipping by express increases the cost of the items, but this does not make necessary a higher mark-up. Since there will be less mark-down due to dead stock, the mark-up in the first place does not have to be as large as would otherwise be the case. The price of the merchandise to the consumer is therefore actually lower although larger expense for telegraph and express is incurred. Of course the increase in the cost of these items can be carried to an extreme, but generally speaking, fewer mark-downs mean a lower average mark-up.

Express, Freight, and Drayage.—Some stores add these items to the cost of doing business but it is better to include

them as part of the original cost of the goods and not as an expense. This procedure would appear to be logical, because the cost of doing business does not commence until the goods are in the store. The goods are not "produced" so far as the store is concerned until they have been placed in the warehouse or delivered to the store. Their mere existence in New York or Chicago, or elsewhere, has no meaning to the store. So far as the store is concerned they do not exist. They come into existence only when they are delivered. Then and then only the selling expense begins.

Cost of Doing Business.—Finding the selling price implies finding first the cost of doing business. This can be stated in dollars and cents as a total of all of the individual costs above referred to, or it can be represented by a percentage of the gross sales. The cost of doing business is usually stated in terms of a percentage, which is secured by dividing the total expense by the gross sales. Thus, if the gross sales amounted to $60,000 and the total expense $12,000, the latter figure divided by the former gives 20 per cent as the percentage cost of doing business.

Finding the Selling Price.—In the process of figuring the selling price, the mistake is frequently made of estimating the cost of doing business as a certain percentage of the gross sales, and adding this percentage to the cost price. In other words, it is not realized that a percentage of the gross sales is more than the same percentage of the invoice cost. To illustrate: If the cost of doing business is 20 per cent of the sales price, this would amount to 25 per cent of the cost price. That is, it would be necessary to add to the invoice cost 25 per cent of the purchase price to realize the cost of doing business which has been stated as 20 per cent of the sales price. If the cost of doing business is 25

per cent, in order to realize this percentage on each sale, 33⅓ per cent of the invoice cost of each article would have to be added to the original cost of the goods.

A Hardware Merchant's Experience. The failure to make a profit has frequently resulted from the failure to understand this problem. One author[1] reports that for a certain hardware merchant the cost of doing business was 18 per cent of sales. In fixing the price of an article on which there was competition, 18 per cent and 10 per cent of the cost price were added for the cost of doing business and for profit respectively. This net profit of 10 per cent appeared attractive on paper, but it never appeared in any other form. It did not exist. The trouble was that while the real cost of doing business was 18 per cent on sales, it was more than this percentage on cost. The impossibility of making this profit under such circumstances is seen from an analysis of a hypothetical sale. If an article cost $1, and 28 per cent was added for the cost of doing business and for net profit, it sold for $1.28. Now 18 per cent of this selling price, or 23 cents, must meet the cost of doing business, leaving a balance of $1.05. Out of this amount must come the original cost, or $1, leaving a net profit of 5 per cent of the cost price instead of 10 per cent as was expected.

This hardware merchant handled a stove the wholesale price of which was $9.25, with a freight and cartage expense of 75 cents, making the stove cost $10 when delivered at the store. This stove was handled also by a competitor, so it was decided to cut the profit to 10 per cent net. To the cost price, 18 per cent was added for cost of doing business and 10 per cent for profit, making the stove sell at $12.80. On this basis the merchant thought that he was making a profit of $1. That he was not making this profit is shown by the

[1] A. M. Burroughs, A Better Day's Profits, pp. 45-52, Detroit, Burroughs Adding Machine Co., 1912.

following analysis: If the article cost $10 and a gross profit of 28 per cent was desired, the selling price should have been considered as 100 per cent and the cost price as 72 per cent, or all of the 100 per cent except the gross profit of 28 per cent. The correct selling price which would have returned a gross profit of 28 per cent is secured by dividing $10 (the cost in money) by .72 (the cost price in percentage). The quotient, $13.89 should have been the price of the stove, since any smaller sum than this would make the desired profit unattainable. This can be proved by the following process: 28 per cent of $13.89 is $3.8892, or the gross profit. This sum subtracted from the selling price, or $13.89, leaves $10, or the original cost price. Thus it is seen that the selling price of the stove should have been at least $1.09 higher than it was in order to return a profit of 10 per cent, together with the 18 per cent cost of doing business.

Profit Lost by a Grocer. Another case is cited by the same writer:[2] A grocer reported to a banker that he had made $2,000 profit on his yearly sales of $20,000, but analysis showed a large discrepancy between the supposed profit and the actual profit. This grocer's cost of doing business was $4,600, or 23 per cent, and he figured for 10 per cent net profit. During the year, $15,000 worth of goods had been marked up 33 per cent, making the total sales equal approximately $20,000. Now, in seeking to locate the profit, 33 per cent of $20,000, or $6,600, was taken out to cover profit and cost of doing business, leaving a balance of $13,400 to pay for the goods. But the goods cost $15,000, hence $1,600 of the supposed profits had to go toward paying the balance of the cost of the goods. This left a real net profit of $400, or 2 per cent on $20,000.

Effect on Mark-Down. To change the base of figuring is

[2] A. M. Burroughs, A Better Day's Profits, Detroit, Burroughs Adding Machine Co., 1912.

dangerous, not only in marking up but also in marking down. A clothier who figured for 30 per cent net profit planned a special "25 per cent off" sale. He thought that he would still make 5 per cent, and could afford to sacrifice part of his profit for advertising purposes. Suits previously selling for $20 were reduced 25 per cent, or marked down to $15. These suits cost $13.50, while 20 per cent for cost of doing business and 30 per cent for profit were added to the cost of the suits, making the selling price a little over $20. The 20 per cent cost of doing business on the original marked price ($20) amounts to $4, which, added to the cost price of $13.50, gives $17.50. Therefore, on each suit that was sold at $15, a loss of $2.50 was incurred. During the sale $3,000 worth of clothing was disposed of at a loss of $500, instead of at a profit of 5 per cent, or $150, as was supposed. This merchant was all right as long as he was adding 50 per cent to his cost price, although he was getting less profit than he thought he was getting, but when he began to cut prices he was figuring from an unsound basis.

Illogical Basis for Figuring Percentage Mark-Up.—There is nothing inherently wrong in using the invoice cost as the basis for figuring the percentage mark-up. The trouble is that many merchants forget that an amount represented by a percentage of the cost of the merchandise is less than that represented by the same percentage of the price thus marked. Adding a per cent to the invoice cost of merchandise allows this per cent on what is paid for the merchandise, but not this per cent of every dollar's worth of merchandise sold.

There are several reasons why it is illogical and inconvenient to use the invoice cost as the basis for figuring mark-up percentages: [3]

[3] T. A. Fernley, The Right Way to Figure Profits, p. 28, Detroit, Burroughs Adding Machine Co., 1914.

1. The remuneration of salesmen is figured on a certain percentage of the selling price.

2. The percentage of expense of conducting business is based on the selling price. If one talks about per cent of profit on cost and per cent of expense on the selling price, confusion results.

3. The sales totals are always given in books of records; cost totals are seldom if ever shown.

4. Mercantile and other taxes are invariably based on a percentage of the gross sales.

5. A profit must be provided for two items of capital: one the capital invested in merchandise, the other the capital necessary for operating expenses and other expenditures not properly chargeable to merchandise account. This is possible only by figuring profits on the selling price.

6. It does not indicate correctly the amount of gross or net profits. Only the percentage of profits on sales can indicate the result of the year's business.

7. Allowances in percentage to customers are always from the selling price.

8. No profit is made until the sale is actually effected.

9. Nine stores out of ten which do not figure on the selling price get mixed somewhere in their figures.

10. The chain stores and the large stores always figure on the selling price.

CHAPTER XIX

MARKETING AGRICULTURAL PRODUCTS

Similarity to Marketing of Manufactured Products.—The problems of marketing agricultural products differ from those involved in marketing manufactured products in that the marketing machinery is much more complicated and the emphasis placed on certain marketing functions is different. The persistence of a seller's market for agricultural products has served to retain a longer series of middlemen than is found in the market mechanism for manufactured products. The nature of agricultural products gives rise also to peculiar transportation problems, different methods of buying and selling, assuming risks, financing, storing, and grading. The rôle of the government in marketing each class of commodities is likewise somewhat different, greater governmental supervision being exercised over agricultural products.

Grading.—With the widening of markets the need for standard grades becomes imperative, for unless standard grades are established, the time and effort incident to inspection by the buyer become increasingly great with the increase in the size of the market and slow up the marketing process with a consequent increase in marketing costs. Grading thus increases the marketability of a commodity. This principle of marketing is illustrated by the preference shown in New York for Washington apples as compared with western New York apples. The former are packed in boxes and classified into standard grades, the character of which does not vary in any container, or from season to season; the latter are

packed in barrels, the size, shape, and color of the apples varying in different parts of the barrel and from season to season. Nebraska potatoes are as good potatoes as those of Michigan, but they are not as marketable because they are not graded so well. The price the farmer receives for eggs is usually less if they are not graded, and if each case contains large and small eggs, brown and white eggs, dirty and clean eggs, fertilized and non-fertilized eggs. The risk of handling such a heterogeneous product is greatly enhanced by lack of grading, and is exhibited in the larger middleman margin.

Grading also renders other services in the market:

1. It is forcing producers and shippers to give up dishonest methods of packing which have been common in the marketing of fruit, hay, and grain. Standard grades have also stimulated the advent of standard containers.
2. Future contracts in organized exchanges are made possible because they run "on grade."
3. A standard grade furnishes a basis for a standard price.

The latter two market services are closely related. When a future contract is made on a basic grade, such as No. 1 Northern Spring wheat, it is not understood that this grade must be delivered but that the price quoted is based on this grade. If a grade above or below this base is delivered, price adjustments will be made according to a fixed schedule in the case of wheat, while in the case of cotton a price adjustment is made according to commercial differences, or differences determined by actual market transactions. In either case, grading stabilizes price and facilitates price quotations to the advantage of buyer and seller.

Difficulties of Grading.—Some commodities are more adaptable to grading than others. Manufactured machine-made

goods can be graded with absolute accuracy. Agricultural products can only approximate this ideal. Perishable commodities are more difficult to grade than the non-perishable because of the greater haste required in marketing. Some agricultural products vary in size more than others, thereby increasing the difficulty of grading. For example, kernels of grain do not vary as appreciably in size as do apples, eggs, and potatoes. Moreover, the same kind of commodity may vary in size from season to season so that a grade may come to have different meanings. This applies to apples, pears, and citrus fruits. Grading is further impeded by the fact that some products have not the same values for different buyers. For this reason barley cannot be graded as accurately as wheat. In such cases, where universal standards of grading are difficult to accomplish, growers, either individually or co-operatively, may increase the marketability of their products by establishing a reputation for consistent grading.

Storage.—The function of storage, or warehousing, is to effect a time adjustment between production and consumption. The fact that agricultural products are produced at a time not contemporaneous with demand makes it necessary that the surplus portion of the crop be stored and "eased out" on the market as the demand increases sufficiently to absorb it. If $^1/_{52}$ of the egg crop came on the market each week there would be no necessity for warehousing, known as cold storage. The warehouse is also necessary in the marketing of manufactured products for which there is a seasonal demand and a seasonal supply. If the demand for agricultural implements varied between narrow limits from week to week large warehouses for machinery and parts would not be needed.

It is the lack of adjustment between demand and supply in our present economic order that creates marketing prob-

lems. In the marketing of manufactured products this lack of adjustment expresses itself in the large potential supply made possible by capacities of plants, a supply which does not necessarily have to be produced unless a demand is created for it. In the case of agricultural products, however, the supply is created seasonally and must be cared for regardless of the existing demand. Storage is therefore a more important function from this standpoint in the marketing of agricultural products than is true of manufactured goods.

Transportation.—The perishability of one class of agricultural products—produce—has caused an important marketing problem, namely, the adjustment between demand and supply. Producing areas are often far removed from areas of consumption, thereby placing the burden of accurate coincidence upon transportation facilities. When a fruit crop like Georgia peaches matures, the problem of avoiding a glut at the point of destination is a great one. The crop must be rushed to market immediately and a market must be chosen.

Suppose Chicago is chosen as the market: A commission house in that city is notified of the shipment and the shipper awaits his returns. If a relatively large number of shippers have chosen Chicago as their market a glut exists, and the returns may not pay the freight. It is then that newspaper stories abound of fruit being dumped into the river while children go hungry. The producer's entire year's income may depend on the profitable marketing of that shipment, as well as the interest on the orchard investment during the years when the trees were not bearing. Such a marketing system discourages production, and by cutting down the supply of fruit, raises its price to consumers.

Refrigerator Cars.—Such were the dangers of shipping fruit until the introduction of refrigerator cars during the late

seventies. As a result of this invention, production of fruit and berries in the South for northern markets was stimulated and prices for these products fell. It was still true that perishable goods could not be kept for any great length of time even under refrigeration, as the latter costs are heavy. But refrigeration permitted in some cases the reshipping of fruits to markets more favorable, as well as preventing the former wastage en route to the first market. The growing privilege of diversion of carloads in transit, coupled with refrigeration, is tending to effect a nice adjustment between producing and consuming areas. Marketing machinery can be considered efficient only when it succeeds in making an efficient adjustment between supply and demand.

Problem of Ownership.—The introduction of the refrigerator car has brought forward the problem of ownership. The first refrigerator cars were privately owned, and the railroads have been loath to build their own cars in competition. This reluctance on the part of the railroads has been due to their belief that competing refrigerator cars could not be run at a profit. High depreciation and icing charges, as well as the seasonal nature of the demand for them, causes the operation of these cars to be attended with large risks. Within recent years, however, some of the railroads have commenced the operation of their own refrigerator cars.

Some evidence points to a producer's preference for the privately owned car, with exclusive contracts over the railroads through their districts. It is asserted that the privately owned car is cleaner, in better condition, and more prompt in appearing when needed than are the railroad-owned cars. For this superior service a higher rate is charged, and producers in some districts at least seem willing to pay this rate for the assurance that they will be adequately taken care of. On the other hand, opponents to the privately owned car maintain

that monopoly rights over any producing area result in indifferent service coupled with high rates. No doubt both views have evidence to support them in different districts. It seems that with the increasing tendency toward integration, the railroads must sooner or later take over the ownership and operation of this vital marketing device.

Need of Market Information.—It must not be supposed, however, that an entirely satisfactory market adjustment was made possible by the advent of the refrigerator car. In periods of bountiful production there is still much loss to producers. Perhaps the only remedy for such loss is better information as to the nature of the different markets. At the present time, market information as regards perishable commodities is meager and often unreliable, because it does not reflect rapidly enough changing conditions of supply and demand in different markets. Private agencies seem thus far unable to provide prompt and comprehensive information to producers which would enable them to choose their markets with greater prospects of finding a profitable selling price. It may be necessary for the government to take over this market function. If the government could provide a market information service as adequate and reliable as its crop reports, there should be little hesitation among market functionaries in seeking such a solution.

Effect of Rates on Markets.—Transportation is the chief factor regulating the size of markets. If it is swift, efficient, adequate, and economical in the handling of agricultural products, and if rates are equitable, producing areas may be far removed from areas of consumption. As a consequence commodities may be produced at the lowest costs in those areas best fitted naturally and otherwise for their production. In other words, geographical division of labor is dependent upon

the transportation system. A chief reason why rate-making is extremely important is the fact that rates enter into costs and costs into prices. If the cost of a certain commodity from one section of the country is higher than that of a similar commodity from another section of the country, the former commodity is at a disadvantage in competing with the latter. Hence it is seen that rates determine the size of the market and limit or extend the competition of similar commodities.

Because of this relation of rate-making to marketing, rate determination has received much serious consideration, and elaborate rate schedules have been formulated with the purpose of developing industries and territories that are of greatest social and economic concern. As a consequence of this policy, some markets have been developed at the expense of others, goods have been transported below cost, the natural advantage possessed by waterways has been neutralized, the competition of substitute commodities has been minimized, and the competition of similar commodities has been intensified. For example, the rate east on western apples is so low that New York apples do not have the advantage in that state and its surrounding territory that one might imagine.

In this particular instance the market for one product has been contracted, while the market for a similar commodity has expanded enormously. In New England, competition between mills and factories is equalized by fixing a flat rate for all the raw materials, such as coal, wool, cotton, etc., imported into the district, while the rate on outgoing manufactured goods is the same from any part of the district. In other geographical districts the basis for rates differs, the purpose of rate-making always being to develop markets economically by using the natural resources of a district to meet most adequately the needs of its population and its industries.

Financing.—To a large degree agricultural products finance themselves. Loans are made on growing crops by means of mortgage instruments. The producer generally gets cash for his grain from the local elevator, but the stored grain usually serves as collateral for a loan out of which the cash payment is made. Such a loan may be advanced by a local bank, or by a bank in the central market, through the medium of a commission man or other middleman. When the grain is shipped, its bill of lading is the basis for another loan. The final place of deposit of the grain is a terminal elevator where it awaits export, shipment to another domestic market, or shipment to a miller. The warehouse receipt representing the stored grain is collateral for a final loan, in order to consummate this last step in the marketing process. From the producer to the wholesaler, and from point to point on the way to the consumer, the burden of financing the marketing of grain is borne by the product itself.

It is not believed that this is the proper place for a descriptive analysis of the different credit instruments used in financing the marketing of agricultural products. It is enough to understand that the usual method of financing the shipper is effected by the commission man or wholesaler, one or the other of whom permits the shipper to draw a draft on him covering the larger part of the value of the product at the time of shipment. The shipper obtains his money by discounting this draft at a bank at the point of shipment, turning over to the bank the bill of lading. The draft and the bill of lading are sent to the consignee, who pays the draft and when the shipment is sold makes settlement with the shipper for the balance. Where this method is not followed shippers may run open accounts, making collections periodically; or the product may be sold at auction, the auction company making returns when the product is sold. Whichever method of sale is pursued, the banking system facilitates the marketing

of products by extending credit to the different market functionaries at each point in the marketing process.

Market News.—Market news is the essence of market price. It is through the agency of market news that supply and demand conditions are resolved into terms of price by both sellers and buyers. Market news not only serves to focus price-fixing conditions; it also is one of the means of determining the size of the market.

A world-wide market for wheat has developed because men all over the world buy and sell on the basis of the same knowledge (market news) and are able to make their buying and selling effective through modern methods of transportation. Market news is thus a dynamic, directive force in the marketing mechanism.

Because this force is actively engaged in the vital process of price determination, its generation and modes of application are of great significance to the consumer. Market news is secured and issued by two classes of organizations, viz., public and private. The chief public organization is the Bureau of Crop Estimates in the Department of Agriculture, although much valuable trade information issues from the Census Office, the Bureau of Foreign and Domestic Commerce, and reports issued by bureaus in the different states. Private sources of market news are: trade journals, brokerage houses, exchanges, market news agencies, trade organizations, and commission houses.

Function of Large Speculative Transactions.—Large speculative transactions perform a very important marketing function. They create a continuous market, i.e., one in which it is possible to buy and sell at all times. The significance of this possibility lies largely in the fact that dealers may sell short or buy long for the sole purpose of securing profits from

fluctuations of price. The performance of this function makes possible another; for if it were not for this extensive buying and selling, the future market could not be used so effectively by dealers in connection with what is known as hedging, the purpose of which is to avoid the risks of price fluctuation. Since this latter use of the future market depends on the former use, speculation may be thought of in terms of its chief function, viz., hedging. As developed below, speculation has also other functions closely allied with hedging.

Hedging.—Hedging may be explained by an illustration. A Chicago grain dealer is accustomed to make a trade profit by buying grain and finding purchasers for it on the eastern seaboard. In September he purchases 50,000 bushels of wheat for $1.65 a bushel and puts it in store, waiting for a purchaser. In the meantime, if the cash price rises to $1.66 he makes a speculative profit of one cent per bushel; if the price falls to $1.64 he loses one cent. In order to avoid this risk of profit and loss through price fluctuation, at the time the dealer makes his cash purchase he sells a contract for the delivery of wheat in October (an October future), for the same number of bushels at a price of $1.65½. The extra half cent represents the cost of carrying the grain for a month, or until he finds a purchaser.

In the event that the price of cash grain rises to $1.66 by the time a purchaser is found (the future will rise approximately by the same amount, i.e., to $1.66½), the dealer will make a speculative profit of one cent on his grain in store but he will lose one cent on his future contract, since he sold the future at $1.65½ and must now go into the future[1] market and purchase at $1.66½ in order to cover.

[1] Of course, if he found a purchaser for his wheat on the same day that delivery under his future contract was due, he would not need to buy a future but could buy grain at the lower spot rate. Rarely, however, would the two dates coincide.

Hence, if the price rises the dealer neither loses nor gains, because what he gains on his cash wheat he loses on his future wheat.

The transaction may be illustrated as follows:

Purchases		Sales	
Cash at	$1.65	Future at	$1.65½
Future at	1.66½	Cash at	1.66
Totals	$3.31½	Totals	$3.31½

If price falls to $1.64, the dealer will lose 1 cent on cash grain, because if he had waited he could have purchased it for $1.64 instead of $1.65. On the other hand, the dealer will make a speculative profit of 1 cent on his future contract, because he has contracted to sell at $1.65½ and he can go out into the market and secure wheat at $1.64½ to cover his future contract. Hence, what he loses on his cash grain he makes on his future contract.

The transaction may be represented as follows:

Purchases		Sales	
Cash at	$1.65	Future at	$1.65½
Future at	1.64½	Cash at	1.64
Totals	$3.29½	Totals	$3.29½

The gains offset the losses; the risk of price fluctuations is shifted to the shoulders of the speculator. Because of the existence of a speculative market in wheat futures, the dealer has been enabled to eliminate from his calculations the possibility of losses (as well as gains) due to market fluctuations.

The dealer desires to make trade profits, not speculative profits, hence he hedges. Hedging, however, does not always

completely insure trade profits. It all depends upon the spread between the cash and future prices. In the illustration just cited it is assumed that the future price fluctuates with the cash price, a situation which is approximately correct over short periods of time. As the maturity of the future contract approaches, the spread between the cash and future prices narrows. In the first illustration, if the spread had narrowed the dealer would have made a profit from the hedging transaction; if it had widened he would have suffered a loss. The future price should bear a definite relation to the cash price, represented by the carrying charges. If the future price ceases to fluctuate parallel to cash prices, perfect insurance of trade profits is impossible; yet the risk of loss or gain, even in such cases, is small compared with fluctuations in the price of the commodity itself.

Hedging without the Speculator.—Theoretically, speculation is not necessary for hedging. For example, a terminal elevator purchases 10,000 bushels of wheat at $1.87 on November 11, and at the same time desires to hedge this purchase by the sale of a December future for the same amount at a price of $1.87 plus the carrying charges of ½ cent, or at a total of $1.87½. On the same day a miller has sold his entire December output of flour, for which 10,000 bushels of wheat are required, at a price based on the price of wheat November 11. As the miller will not need the wheat until December, he is desirous of purchasing a December future for 10,000 bushels at a price of $1.87½. If the terminal elevator representative can meet the representative of the miller, the former can sell to the latter a December future for 10,000 bushels at a price of $1.87½, and both parties to the transaction will have received market insurance.

Without an abundance of speculators, however, hedging would, in actual practice, be difficult. For example, the ter-

minal elevator might desire to sell a December future for 10,000 bushels at a price of $1.87½, while the miller might desire to purchase a May future for 8,000 bushels at a price of $1.90. Such a lack of coincidence between the buyer's demands and the seller's offers would necessitate seeking out traders who had exactly what was desired by the purchaser or the vendor. This market friction would retard a quick placing of hedges and increase the risk involved in handling grain. With the increase in risk involved, the middleman's margin would of necessity have to be increased, which ultimately means a lowering of the price paid to the producer. Without numerous speculators who are ever ready to buy and sell, the placing of hedges would be handicapped to the same extent that present-day commerce would be retarded by a system of barter instead of money and credit.

CHAPTER XX

MARKETING AGRICULTURAL PRODUCTS—TENDENCIES TOWARD INTEGRATION

Buyer's Market versus Seller's Market.—A chief question with reference to the marketing of farm products is whether the manner of present distribution through the various functionaries is substantially satisfactory, or is likely to be radically changed in the direction of greater integration.

At the outset it should be noted that whether or not the marketing functions in the distribution of agricultural products tend toward integration or toward differentiation depends on whether a buyer's or a seller's market prevails. If agricultural products can be produced at decreasing costs, integration is stimulated, while production under increasing costs means differentiation. When increasing costs prevail, supply becomes relatively scarcer than demand. Prices are high, the producer is satisfied, and his time and energy are expended not so much in simplifying, shortening, or integrating the marketing system as in attempting to increase his production. Such has been the situation in agriculture, with a few minor exceptions, until the present time. Such also was the condition during the nineteenth century in the field of manufacturing. When decreasing costs prevail, however, supply becomes relatively more plentiful than demand. Prices are low, the producer is dissatisfied, and an increasing amount of his time and energy is expended in closely scrutinizing the marketing system.

During 1920-1921 the agricultural industry was in this situation. A buyer's market prevailed and schemes of inte-

gration were prolific. It is extremely doubtful, however, whether a buyer's market in agricultural products will continue for any length of time. Unlike manufacturing, the producing plant in agriculture is limited by nature. That population is already increasing at a faster rate than the production of agricultural products is evidenced by the rapid increase in wholesale prices of these products during the last generation in comparison with the wholesale price of manufactured commodities. Only temporary conditions, such as a bumper crop and the closing of export markets due to lack of credits, have thrown the agricultural industry into a buyer's market.

Present Tendencies—Abuses and Their Correction.—Certain orchard products are apparently being produced at present under decreasing costs. With respect to these products, accordingly, the emphasis which was formerly placed on production is now being laid on marketing. Co-operative growers' associations, such as the California Fruit Growers' Association, are controlling more parts of the marketing mechanism and are shipping direct to representatives of their own associations. In the grain trade, if certain existing abuses are not eliminated by those organizations that have the industry under control, a similar movement may be expected soon to develop.

Until within the last few years strings of elevators along any one railroad were in the hands of a single corporation. The producer was at the mercy of the monopoly, as regards the price that was paid for his grain and the determination of its grade. The abuse of this power was mitigated by establishing farmers' co-operative elevators throughout the Middle West. With that success the movement toward integration of marketing functions seemed for a time to have spent itself. Other abuses in the marketing system, however, have since

developed, and further integration has been checked only by the existence of a strong seller's market. Little more than the reversal of market conditions, i.e., the swinging of the agricultural industry into a buyer's market, is needed to make effective the potential opposition to some phases of the present marketing mechanism. It may be noted, however, that with respect to some of the abuses alleged, even if their existence is proved, the remedy lies not in integration but rather in regulation by law.

Grading.—Some of the alleged abuses concern the grading function. In the terminal markets a system of grading developed some time ago which, the producers believed, gave an advantage to the terminal elevators and millers. Producers have naturally felt that their grain should be graded higher than it usually is, whereas terminal elevators and millers have persisted in the belief that the grades given to grain are higher than is justifiable. Because of the suspicion attached to the grading that is performed by exchanges and private inspectors, several of the leading grain states have made that act a public function. This development has no doubt lessened the abuses that formerly existed, but dissatisfaction is still manifested even with the decisions of the state inspection boards. This fact is substantiated by the large number of appeals for reinspection in the state of Minnesota during 1912-1913. Reinspection was demanded in more than one-fourth of the cases, and 36 per cent of all reinspections resulted in changes of the original grades or dockage.[1] That the producer is justly suspicious of the grading system is evidenced by the fact that 23 per cent of all reinspections resulted in raising the grades, whereas only 6 per cent resulted in lowering them.[2]

---

[1] L. D. H. Weld, The Marketing of Farm Products, pp. 373-374, New York, The Macmillan Co., 1916.

[2] *Ibid.*

Obviously, the remedy for any such inefficiency is not integration but federal standardization of grades and inspection of grain, such as has developed in the cotton-growing industry. In this industry the Department of Agriculture has fixed standards for nine grades of cotton, and sample specimens of the grades, in sealed tubes, are at the disposal of exchanges and serve as permanent standards. Their use is not compulsory, but exchanges have adopted them generally. Federal grades of corn have also been determined upon, and while not compulsory, they have been adopted by several state inspection departments and grain exchanges.

Storage.—Other alleged abuses concern the storage function. Many misconceptions exist regarding the functions which refrigerator cars, cold storage houses, grain elevators, tobacco warehouses, etc., perform. For example, storage is thought by some to be a device for creating an artificial scarcity with an attendant artificial high price. Especially has this charge been brought against cold storage. Public warehouses do not as a rule purchase goods in large quantities on their own account, but rent space to numerous dealers who own the commodities stored. Evidence seems to exist which indicates that prices of stored commodities are no higher over a long period of time than they would be without storage, although prices are higher at certain periods of surplus production and lower during periods of meager production. This is illustrated by the price of butter in New York, which varied from 21.9 cents to 34.3 cents per pound during the years before cold storage developed, while during the latter period the variation was from 23.4 cents to 28.9 cents.[3]

This stabilizing of price seems desirable because of the stimulating effect it has on production and consumption. Dur-

[3] L. D. H. Weld, The Marketing of Farm Products, p. 160, New York, The Macmillan Co., 1916.

ing periods of plentiful production less waste occurs to producers, because prices are high enough to enable profitable marketing of the commodity and hence a higher level of production is maintained, while during periods of low production prices do not rise so high that consumers must change their buying habits and cut down consumption. It therefore appears probable that long-time prices of commodities subject to storage would even be lower because of storage. Some little evidence exists in favor of this assumption as regards butter, eggs, and poultry.[4] It might appear that a lower price to the consumer means a lower price to the producer. This does not necessarily follow. Because of cold storage creating a ready and profitable market for perishable commodities during seasons of plentiful production, producers have been stimulated to large-scale activity. This new type of production operates at a lower per unit cost than was the case with the former type, and the lower producer's price is offset by the lower costs per unit of product. Lessening the risk incident to production usually increases production, with a greater profit to the producer, while lessening the risk incident to distribution usually narrows the margin demanded by middlemen and hence lowers the price which consumers have to pay.

It has been assumed by many people that storage injures the quality of products stored. Thus, storage eggs are supposed to have a "storage taste." Dr. Wiley is accredited with the statement, however, that fresh, unfertilized eggs placed in storage early in the season are at the end of eight months difficult to distinguish by taste alone from fresh-laid eggs.[5] It has been demonstrated that the condition of the product when placed in storage is a much more important considera-

[4] G. K. Holmes, Cold Storage and Prices, p. 65, U. S. Department of Agriculture, Bureau of Statistics, Bulletin No. 101, 1913.

[5] L. D. H. Weld, The Marketing of Farm Products, New York, The Macmillan Co., 1916.

tion as regards its quality than is the fact of reasonable storage itself.

In this instance, also, the remedy for whatever evil exists is not so much a matter of further integration of marketing functions as of government regulation. As better methods of producing and grading eggs develop, it is to be expected that some of the present complaints against cold storage will disappear. Yet, as it is no doubt true that too long a period of storage reduces quality, it is imperative that governmental authorities adequately regulate the cold storage business. Most states have made some advance in this direction and more adequate regulatory laws are now pending.

Commission Houses.—Abuses have been found also in connection with the work of commission houses. Producers have always been suspicious of the commission man. It has been natural for the shipper to be a "bull on the market." He ships when he thinks the market is going up, and consequently he often blames the commission man when the returns are not what he expected.

Unfortunately, this suspicion of the commission man has too often been justified, for, as a consequence of market evolution, the commission man in many cases has also become a jobber; he has purchased goods on his own account and has received them on a commission basis as well. Such a combination of functions has been prejudicial to the shipper's interests, because the commission man has been actuated by two motives diametrically opposed. On a bull market he would be led by self-interest to sell the commodity of his client and hold his own for a higher price, while on a bear market this situation would be reversed, the commission man seeking to sell his own commodity at the first opportunity and permitting his client's commodity to wait for the next opportunity.

As to whether integration may be expected in connection with the work of commission markets, surmise is difficult. No group has fought the abuses just mentioned more concertedly than the organized exchanges, a portion of the membership of which consists of commission men. Expulsion from the exchange has been the penalty for commission men who traded on their own account. This penalty has in some exchanges at least nearly exterminated the reprehensible practice. Yet the shipper has not forgotten the abuses of the past and is still often reluctant to use the commission man. Especially is this true in the perishable fruit trade, where producers have suffered such extreme losses that they have co-operated to keep their own representatives in the large wholesale receiving markets. If exchanges conserve the interests of all parties concerned in the sale of agricultural products, it will take an extremely strong buyer's market to endanger their position. On the other hand, if exchanges favor their own membership to the detriment of shippers and producers, only an extremely strong seller's market will prevent integration through unified effort of these latter classes.

Market Reports—Government Supervision.—In this connection it may be noted that increasing demand is being felt for public supervision of private market-reporting systems in industries where it seems inadvisable for the government to own facilities for securing and issuing market news. The accepted regulator of market price—competition—may be perverted by "inside information" if monopolized by a powerful private organization. This feeling exists regarding commodities which are generally sold by private sale, not those openly traded in on the exchanges.

Criticism has been directed especially against the type of market news known as price quotations, which have been used

as a means of determining the price to be paid shippers. While such price quotations are supposed to reflect actual trading transactions, suspicion has attached to them because they are issued and controlled by middlemen to whose interest it is to underquote or overquote the market. Governmental supervision of the independent market reporting system would unquestionably tend to give producers confidence in price quotations.

Boards of Trade and Speculation.—The most widely discussed questions relating to the marketing of farm products have to do with the matter of speculation, and with the activities of exchanges and boards of trade. This is particularly the case in connection with the marketing of grain. During periods of low price, boards of trade have usually undergone close scrutiny by the producer. With the local elevators under the producer's control, with the government inspection and grading of grain, with the growing honesty and open methods of wholesale receivers and commission men, low prices for grains have been attributed to the machinations of exchanges and boards of trade.

The charges brought against the organized exchanges fall into two general groups, viz., those regarding cash sales, and those regarding sales of futures, or speculative sales. As the major part of the producer's disapproval is against speculative trading, this phase of the boards of trade's activities demands chief attention in considering the possibilities of further integration of the middlemen's functions in marketing grain.

Speculation and the Producer's Prices.—It is a charge frequently made that speculation depresses the prices paid to the producer. This charge is not based on fact. Instead of depressing the producer's prices, speculation raises them. A speculative market for futures enables country elevators, ter-

minal elevators, exporters, shippers, and other middlemen agencies to hedge their holdings, thereby reducing the risk of market fluctuations. With less risk a smaller margin of gross profit is necessary, and a smaller margin means higher prices to the producer. Country elevators are able to handle wheat at the low margin of three cents a bushel, because the risk of having this margin wiped out by market fluctuations has been largely eliminated by using the speculative market for hedging purposes. Double the present margin would perhaps be necessary if country elevators, and others handling grain from producer to manufacturer, were unable to shift the risk of market fluctuations to speculators. Evidence in favor of this assertion may be seen in the margin allowed on barley before the practice of hedging that commodity began. Five and six cents were the common margins that elevators allowed, and farmers received from two to three cents a bushel less for their grain because of the inability of the handlers to shift the risk of market fluctuations to the shoulders of speculators.

Speculation as Insurance.—As the losses of one class of speculators are offset by the gains of another, speculation pays for itself out of its own funds, not out of the price that a bushel of grain sells for. It is true, of course, that society as a whole pays the bill. The men and capital being used in speculation are withdrawn from other occupations, and hence what each would have produced in other occupations, is lost to society—that is to say, social resources are being used as an insurance fund. Insurance, however, is a productive industry because it prevents loss and thus stabilizes business. There is much confusion in the popular mind between speculation and gambling. The difference is that gambling creates its own risk while speculation merely assumes a risk which is already in existence. The gambler who turns a roulette wheel

brings into existence by his very act a risk of losing or winning. If he did not perform the act of turning the wheel, no risk of loss or gain could exist. The speculator, on the other hand, when he buys or sells a future contract, assumes the risk of market fluctuations which exist whether or not he chooses to shoulder them. He permits a producer, a miller, an elevator company, or an exporter to shift their risk of market fluctuations to himself. Or, as already suggested, the speculator becomes a sort of insurance agency which relieves market functionaries of an ever-present risk in handling grain.

Organized and Unorganized Speculation.—It should be borne in mind that speculation is woven into the fabric of commercial activity. In the case of grain, for example, the elimination of speculation in futures would in nowise eliminate speculation in grain. Changes in the market values of cash grain would still exist, and a purchaser of cash grain who held it for a rise would be speculating. When a house and lot are purchased, the purchaser is a speculator. The combined values may rise, remain stationary, or decline. The purchaser believes that they will rise, or at least that they will not fall. Herein he poses as a forecaster of changing market values and is therefore a speculator. During 1920-1921 the wheat farmers were induced by their leaders to hold their grain for a higher price. These farmers were speculators. As the price did not rise materially, they lost; but they would have been speculators just as much if the price had risen. They were speculators not because they lost or gained, but because they undertook to forecast market values. They could have been relieved of performing the function of the speculator only by buying futures against their cash sales. The function of forecasting the change in market values would then have been shifted to the shoulders of professional speculators.

The speculation referred to in the previous paragraph is unorganized speculation. It is not directed by rules known to the participants, nor are its operations exposed and clarified by publicity. Decisions to buy and sell are made on the basis of personal prejudice, hearsay, and snap judgment. Organized speculation on the other hand, as carried on in systematized exchanges, operates according to rules and regulations known to all participants. The function of providing grain insurance against market risks is performed in an orderly and economical manner by those qualified by experience to forecast changing market values.

Speculation and Price Fluctuations.—Rapid price fluctuations or market breaks are detrimental to business because a possibility of large losses develops timidity. Price stability develops market confidence which promotes further commercial activity. Strange to say, speculation has been accused of causing wide price fluctuations, and hence has been thought to depress business. The truth is that under normal conditions speculation stabilizes price, while lack of speculation permits an erratic market. That speculation stabilizes price is seen from the methods pursued by market operators. If the price goes up ⅛ of a cent the bulls, or longs, sell out and take their profit, and this liquidation tends to return price to its former level. On the other hand, if price falls ⅛ of a cent the bears, or shorts, buy in and fulfil their contracts, and this absorption of selling offers tends to return the price to its former level. Under normal conditions, with free and complete speculation, it is difficult for the market price to fluctuate widely because it is to the advantage of either longs or shorts to return it to its former position. Speculation thus produces market equilibrium.

A study of grain prices from 1899 to 1916 substantiates the position taken. It indicates that the price fluctuations in

those grains traded in on the future market were far less marked than was the case with grains for which no future market existed. Only once during this period did wheat show a fluctuation of over 100 per cent, and only twice did oats exhibit a fluctuation of this amount, while barley showed such a fluctuation eight times.[6] During a period of 100 years, before future trading was inaugurated, price fluctuations were twice as great as during the period since that date.[7]

Speculative Corners.—Speculation does not cause prices to fluctuate, but fluctuation in prices causes speculation. If all speculators were eliminated, prices would still fluctuate in response to the law of supply and demand. Some students of marketing wonder, however, if there would be such wide fluctuations as, for example, existed in December futures during the month of November, 1920.[8] In other words, some people agree that competition among speculators (bulls and bears) prevents wide swings of the market, but it is believed that combinations of speculators may so corner the future market that rapid price fluctuations will ensue when they choose to unload.

---

[6] J. E. Boyle, Speculation and the Chicago Board of Trade, p. 123, New York, The Macmillan Co., 1920.

[7] *Ibid.*

[8] J. S. Ewart, *Lincoln State Journal*, Jan. 15, 1921.

DECEMBER OPTION

Date	High	Low	Close	Range
Nov. 11	1.87	1.78½	1.80½	8½
" 12	1.80½	1.75	1.77¾	4½
" 13	1.83½	1.78½	1.79⅞	5
" 15	1.85¼	1.78¼	1.84	7
" 16	1.89¼	1.84¼	1.87⅝	5
" 17	1.90	1.82	1.84⅜	8
" 18	1.86	1.78¾	1.80¾	7
" 19	1.79½	1.71	1.72¼	8½
" 20	1.74	1.65¾	1.68¾	8¼
" 22	1.70	1.57½	1.60½	12½
" 23	1.69½	1.58½	1.68¾	11
" 24	1.67	1.58¾	1.59½	8¼
" 26	1.57½	1.52½	1.52¾	5
" 27	1.57½	1.53	1.55¾	5½
" 29	1.62	1.56	1.56½	6
" 30	1.58	1.54¾	1.56⅜	3¼

43½ cent fluctuation in 16 market days.

The answer to this belief is that market corners have at present little chance of success. In order to guard still further against their development, boards of trade have passed two very important regulations. One increased the range of grades deliverable on contract, and the other gave classification as "regular" to grain in elevators further removed from the center of the trade, as well as grain on track and grain in ships. With the widening of the character of the grain which could be delivered on a future contract and the extending of the source of supply of deliverable warehouse receipts, corners became practically impossible.

The wide price fluctuations in the fall of 1920 were caused in reality by the contraction of credit, a bumper crop, and lack of speculation. The tightening of credit forced producers and handlers of grain to liquidate their holdings, and the throwing of this grain on the market increased the existing overabundance caused by the largest crop of wheat and corn that had been produced for several years. The market was decidedly lopsided. It was predominently bearish and little buying took place, because of the almost limitless stocks waiting to be shipped to the terminal markets. Relief for this situation was sought by the leaders of farm organizations who counseled their members to hold their grain for a higher price. This tended to reduce the arrivals of cash grain, and to depress futures, because a season carry-over is generally impossible. It was believed that the greater part of the crop must of necessity come to the market in the spring, if not in the fall. A strange situation was thus created in which futures did not bear the usual relationship of carrying charges to cash prices, and in which complete hedging of trade profits became an impossibility. Instead of speculation causing the steep break, speculation was about the only force which could have steadied the market. Speculators are buyers as well as sellers. If there had been more speculators who had been

willing to buy wheat and corn as a result of forecasting the market, prices would not have fallen as quickly or as far as they did.

Transactions versus Actual Transfers.—That speculative transactions exceed grain transfers appears an abuse to some observers of market operations. This is illustrated by the following quotation: "Traders have no thought of delivering or accepting delivery, or of financing it, and 75 per cent of country traders could not finance one-fourth of the amount they trade in if the grain was forced upon them, yet it has been conservatively estimated that our crop of 3,216,000,000 bushels of corn has changed hands twice (some say three times) before a car-load was put on the market and the price fixed by men who never intended to merchandise a bushel of it." [9]

While the speculative transactions exceed the amount of grain that actually changes hands, they do not exceed the representations of actual grain that pass from one to another. The representations, or warehouse receipts, accompany all speculative sales in legitimate organized exchanges, and a transfer of a warehouse receipt is equivalent to a transfer of actual grain, although the physical grain is not moved in location. A trunk check may be transferred several times without the physical location of the trunk being altered, but the transfer of the check is nevertheless a transfer of the trunk itself—not in location but in ownership.

This excess of speculative transactions over actual physical transfers of grain is no different from the situation existing in our credit system. Future contracts are promises to pay grain, just as credit currency constitutes promises to pay money; and for the same reason that credit currency exceeds

[9] J. S. Ewart, *Lincoln State Journal*, Jan. 15, 1921.

the amount of real money, future contracts exceed the amount of real grain.

The "future" market comprises two classes of speculators, professionals and amateurs. The professional makes a business of forecasting market conditions; he specializes in interpreting market phenomena. The amateur, on the other hand, is a lawyer, physician, teacher, preacher, laborer, clerk, or member of some other occupation, who dabbles in futures "on the side"—nine times out of ten with disastrous results. The amateurs operate, moreover, in very large degree through brokers or "private-wire houses" which in some cases are of doubtful integrity, or through bucket shops which are fake exchanges. It is unfortunately true that such fake exchanges, which are wholly illegal, still persist near some of the largest legitimate exchanges of the world, depending upon them in fact for market information. They are strictly parasites and should be eliminated. Much confusion in the public mind has existed because these fake trading centers have sometimes become identified in terminology with legitimate exchanges.

Remedial Forces—Education.—The abuses now existing in the great grain markets known as boards of trade or exchanges, may be remedied by a combination of three forces: education, the government, and the boards of trade themselves.

In regard to the first remedial force, people should be educated to understand the slight margin of success which the amateur has when in competition with the professional speculator. Ignorance of the losses of the "lambs" and a magnifying of the gains when they are made tend to blind the unsophisticated to the real chances they have of gaining and losing. Such losses would be materially reduced if people who intended to speculate in futures had governmental or board of trade reports before them showing the real situation.

Government Supervision.—In the second place, the government may very possibly exercise some supervision over the boards of trade similar to the supervision of national banks. The control over the annual crops which the great grain exchanges exercise has become vested with a public interest such as exists in banking, railroads, and public utilities. Government supervision would necessitate an inspection of the books and records of all members of each exchange who trade in futures. Speculation based on easy credits could be ascertained and eliminated, the character and financial standing of each customer of every board-of-trade firm could be determined, and this information could then be used for the protection of customers. The reports of these findings, moreover, could be given wide circulation. Each member of the board of trade could also be required to send in monthly, quarterly, or semi-yearly reports reflecting his financial standing and the character of his transactions. Such governmental regulation and supervision would not hinder the operations of the professional speculator who makes a business of forecasting market conditions and backs up his judgment with his money, but it would tend to eliminate unfit speculators who stimulate undesirable standards of competition.

Reform from Within.—The third and perhaps the most important remedial force is found in the boards of trade themselves. Most of the boards of trade have fought exchange abuses, sometimes as a result of initiative from within, but more often because of the pressure of public opinion from without. Attempts to corner the market already constitute grounds for expulsion from the exchange, as do other practices which savor of oppression and unfairness. If boards of trade are to maintain themselves as independent organizations in a moderate buyer's market, it is well for them to modify their organization to meet new demands. Membership should

be open only to reputable grain merchants; new customers who desire to trade in futures should be closely scrutinized; market information should be closely guarded and used for the benefit of the customers of members, and not merely for members; and the spread of speculation due to the growth of private-wire houses should be checked.

The Conditions of Integration.—The extension of the principle of integration in marketing effort depends on the nature and number of market abuses which exist, and how prominent and serious they are made to appear to sellers and buyers. Long tenure of life for board of trade institutions in a seller's market depends on their reflecting the demands of public opinion; in a buyer's market it depends on their anticipating such demands. Every shift in market emphasis modifies existing exchanges, but the recent shift toward the buyer's point of advantage has not been pronounced enough to endanger the present mechanism by the force of integration. The longer the period of hesitancy before the market swings back to the seller's point of advantage, the more fundamentally will grain exchanges be modified by integrating forces; and the sooner it becomes again a seller's market, the less possibility is there of integrating forces seriously modifying present market mechanism. Integration is the effect, market movement is the cause; and a careful study of the latter indicates the possibilities and probabilities of the former.

CHAPTER XXI

CRITIQUE OF EXISTING MARKETING SYSTEM

Present Marketing System under Criticism.—The present system of distributing goods is under fire from many sources. Socialists, social reformers, co-operationists, communists, and many organizations of different kinds are complaining of the inadequacy of our distributive system, especially as regards retailing. Some fantastic plans have been advocated for eliminating middlemen by selling direct from the producer to the consumer. Other critics would have the government administer the distribution of goods, believing the old fallacy that through some miraculous power the government can accomplish for individuals that which they are unable to accomplish for themselves. Still others believe that co-operative societies must displace the present system.

Through all of this confusion of ideas, and in spite of the numerous indictments issued against the retailer, he continues to distribute nine-tenths of the goods consumed, while his numbers increase at a greater rate than population. It is true that this apparently healthy growth in numbers may merely be an appearance of success and permanence which in fact does not exist. In other words, there may be certain fundamental evils in our present system of retailing which will eventually corrupt the whole system and bring about its own destruction, thereby paving the way for some scheme in which these elementary errors do not exist. To analyze carefully these alleged disadvantages or evils[1] in our present system and ascer-

[1] E. P. Harris, Co-operation, The Hope of the Consumer, New York, The Macmillan Company, 1919. A stimulating exposition of present-day retailing evils.

tain how far they are in accord with the facts, is the work of the student of marketing and business problems. The answer to the question whether the present system of marketing must be scrapped, depends on whether the evils that do exist can be eliminated when their cause is known.

Principal Charges—1. Undue Influence.—The first main criticism against the present market system is that advertising and salesmanship do not confine themselves to furnishing what it is found the customer wants, but exert a subtle and powerful influence in determining what the customer *shall* want. It is asserted that whereas formerly customers were definitely aware of the goods necessary to satisfy their needs, they are now forced to the defensive; that they no longer buy on their own initiative but merely purchase those things that they are importuned to buy. Thus the customer no longer makes independent choices but is controlled by the will of producers and distributors of commodities. Moreover, it is urged that this outside influence often acts unconsciously on the customer so that the latter may believe that he is making the best choice.

Bringing Unconscious Wants into Existence.—This criticism rests on a hasty analysis of the situation. The fact is, rather, that in most cases the retailer co-operates with the manufacturer in educating the public to realize that new capacities for satisfying unborn wants have been created. The process described as "creating wants" is merely that of bringing into consciousness wants that already exist. Capacity cannot be created if the ability to utilize does not already exist. This is illustrated by the entrance and hasty exit of the hobble skirt. Producers and distributors could not "create" a capacity or desire for utilizing that commodity. Attempts to force on consumers merchandise which was the "latest," the "rage," the "most commonly desired by the best people," have often

failed of success. The most aggressive and clever advertising and salesmanship have been unable to sell two-colored shoes in some localities. On the other hand, the need and desire for better cooking utensils undoubtedly existed long before aluminum cooking utensils came on the market, but salesmanship and advertising had to exploit the advantages of this merchandise before the public became conscious that a long unfilled want could now be satisfied. If aluminum ware had been discovered fifty years ago it would just have surely discovered its counterpart, viz., desire.

To maintain, therefore, that the customer no longer makes independent choices but is controlled by the will of producers and distributors, is to overlook the facts. It is more accurate to say that modern advertising and salesmanship ascertain wants, rather than to maintain that they determine wants. The successful merchant or manufacturer recognizes and works in harmony with this principle.

Need of Better Salesmanship.—The charge that retail stores deliberately induce customers to purchase goods which they cannot use is for the most part unfounded. Cases where customers have purchased goods ill-adapted to their purpose can usually be traced to ignorance on the part of either the salesperson, the customer, or both. In the past, retailers have paid too little attention to the education of their sales force, and, in so far as the customer has been wronged, the retailer can be justly condemned for laxity and short-sightedness. With so many new goods coming on the market with their complexity of construction and clever substitutions, the customer cannot be expected to be aware of their true character. Years ago, when the range of selection was narrower, and when keen competition had not flooded the market with undetectable substitutes, the customer could be his own expert. It was not then necessary for the salesperson to know all about

the goods. At present, however, it clearly devolves upon retailers to educate their salespeople so that they can give the customer the expert advice which he needs. Unless this is done, the retailer will continue to be charged with dishonesty.

If the customer inquires whether hose are all-silk, the salesperson should be able to say whether they are pure thread silk, manufactured silk, fiber silk, or something else. Only too often the salesperson says, "Yes, they are pure silk," when in reality he does not know the facts because no one in the store has instructed him. The customer makes the purchase believing that it will satisfy his requirements. When, after a time, short ends appear, indicating that the hose are made of manufactured silk, the customer believes that the store has used "salesmanship" on him in order to get rid of some inferior merchandise. The truth is that salesmanship is not to blame, but rather ignorance, lack of salesmanship.

There are no doubt cases where salespeople, because of a special or extra commission, have striven hard to sell old, worn, defective, or otherwise unsatisfactory goods. Such merchandise, however, is worth the money that is asked, for certain classes of people. Some customers are not particular about having the newest style cloak or shoe; others are willing to purchase shop-worn or defective goods if they can be purchased at a bargain. It is to the advantage of all the customers of any store to have its old stock disposed of rapidly, so that capital will be released for newer and more attractive merchandise. The way in which this release is accomplished must be given more careful thought in the future.

Goods on Approval.—The criticism that customers purchase commodities not suited to their needs loses its force still further when it is realized that most stores at the present time have a policy of "goods sent on approval." A generation

ago, excepting in a few of the larger cities,[2] this policy did not exist, and the advantage lay wholly with the store and its selling force. Today, customers may make their decisions after placing the merchandise in the surroundings for which it is intended. Rugs, furniture, decorations, clothing, labor-saving devices, and many other goods are daily being *used* before decision to buy is reached.

The Question of Quantity.—The present retailing system is often criticized, not only for not giving customers the right quality, but also for giving the wrong quantity. Usually the accusation is that too much is given rather than too little. In other words, it is supposed that the salesperson desires to "load" the customer whenever the opportunity presents itself. No doubt there was once a good deal of justification for this criticism, but importuning customers to purchase more merchandise than they can satisfactorily use has now become a thing of the past in most stores. In fact, the pendulum has swung too far in the other direction in many instances.

To fail to suggest a larger quantity is often as gross an error as "loading." For example, a lecturer was in a men's furnishings store in June looking at hose. He found some champagne-colored silk hose which were entirely to his liking. He purchased only two pairs although he knew that he would need at least four times that number during the summer, but he thought that he could purchase others as he needed them. What was his disappointment when he discovered, after calling for these hose at different stores in several towns, that they were not to be secured. Every merchant said that he had had only a few pairs, which he had quickly sold, and word soon came from the manufacturer that this line had been discontinued. If the salesperson had realized that it was to the

[2] Golden Book of the Wanamaker Stores.

customer's interest to have more pairs of this color and material, he would have suggested the purchase of more than two pairs.

The Customer's Viewpoint.—The hopefulness of the retailing situation is evidenced by the more widespread realization among retailers that only by pleasing and satisfying the customer can the most complete success be assured. Salesmanship which gives the customer cause for future regret is fast going into the discard, and it is important to note that this change for the better is coming from the retailers themselves as a consequence of their competition to interpret customers' desires.

2. **The Motto of "Caveat Emptor."**—The second main criticism of the system of retail distribution is that the old policy of *"caveat emptor"*—"Let the buyer beware!"—is still dominant. This charge is untrue. Unquestionably, in former days, trade was looked upon as a combat in which the interests of the customer were opposed to those of the retailer, and vice versa. This idea persisted because of a false idea as to the nature of exchange. It was believed that when goods changed hands only one party to the transaction could gain; that the other must necessarily lose. Hence, both buyer and seller exerted all of their powers of cajolery, cunning, browbeating, and higgling, in order to get the best of the bargain. The customer naturally looked upon the retailer as an enemy, as one to be feared, from whom, however, it was necessary to procure the necessities of life. On the other hand, the retailer came to look upon the customer as his natural prey to be taken advantage of if possible.

"Caveat Emptor" No Longer Dominant.—This situation has changed markedly for the better. Many of the harmful

practices of earlier days have been eliminated. Both retailers and customers are realizing that trade is not based upon mutually exclusive advantages, but upon mutual benefit. It is being more clearly comprehended that in an exchange of goods one party cannot rightly exclude the other from the advantages of the trade. If a store is selling apples for money, the store needs money more than apples, since expenses must be met and bills paid; while the customer needs apples more than money because he has several units of the latter but none of the former. Each party to the selling transaction parts with that which holds the least value for him as compared with the article in the control of the other party. Articles of small utility (or capacity to satisfy wants) are exchanged for articles with large utility, hence there is a greater total utility in the hands of both the buyer and the seller.

The "One-Price" System.—The last generation has seen almost universal acceptance of the "one-price" policy. Formerly, prices for identical goods were different for different customers on the same day. They were fixed by the judgment of the salesman as to what the customer would be willing to pay—and then quoted somewhat higher. It was the right of the customer to "beat down" this price as far as possible, while it was the custom for the retailer to relinquish only that portion of the quoted price which was necessary to consummate the sale. Under the one-price system all this unpleasantness and combat is done away with, and all customers are treated on the same basis regardless of their bargaining power. The price of each article is marked in plain figures and on any one day this price is maintained for all customers. If it is found necessary to mark the goods down at some later time, all customers have equal purchasing chances.

New Devices of Service.—Many other devices have been put into operation in the attempt to win and retain the confidence of the customer. Some of these policies are: marking "seconds" as such, and "firsts" as such; assisting the customer to purchase wisely; insisting on accuracy of statement in advertising and selling; giving the customer the benefit of economics and efficiencies; looking after the customer's bodily comforts. These developments of recent years indicate a new viewpoint in merchandising. A buyer's market has made necessary a greater conservation of the customer's interests.

It may be conceded that in many stores the motto of *caveat emptor* is still too largely followed with respect to matters of the style and design of goods and their suitability for specific purposes. Too many stores take the position that, with regard to these points, the customer must be his own judge; if he makes a mistake, "he should have known better." In such stores customers are permitted by ignorant salespeople to fit themselves short in shoes; to choose wrong colors and designs in garments; to select furniture which is too expensive or too cheap; to desire large hats when they should wear small hats; to wear unbecoming styles; and in general, to purchase goods which, although in themselves genuine and first-class articles, are permitted to function under circumstances for which they were never intended. Stores in which such practices continue, however, are lagging behind the procession. The defect is lack of intelligent salesmanship.

Co-operative Stores No Remedy for "Caveat Emptor."—Admitting, however, that the present system can be censured for not having yet fully eliminated the policy of *caveat emptor,* it is difficult to see how the plan of co-operative stores can eliminate this. In co-operative stores the tendency is to employ cheap salespeople, and, so long as salespeople are not experts, customer-satisfaction cannot be complete. Under the

present system, competition is forcing merchants to employ experts; but under co-operation the possibility of systematic training of salespeople would be remote because of the expense it would entail. Where people are dealing directly with the management or its equivalent, scrutiny of expense is overemphasized, while service may at the same time be criticized. The competition of private stores has, nine times out of ten, proved too much for co-operative enterprises, because of this lack of realization on the part of the shareholders of the relation between expense and service. In privately controlled stores customers know that they get the service but they do not realize the expense in furnishing it; so long as selling prices of goods are not higher than those of competing stores, the customers are satisfied. In short, to eliminate the evil of *caveat emptor,* it is not necessary to construct a new marketing system; it is sufficient to improve the one in existence.

3. **Retailer's "Advice" Too Costly.**—At this point a third main criticism of the marketing system presents itself. Even granting, it is urged, that the retailer is able to give the consumer advice and counsel in purchasing, the cost of this service to society is prohibitive. It is said that the retailer's "advice" costs the consumer about a billion dollars a year, and as it is biased, it is not worth this amount to society.

The Advice Indispensable.—This point has already been covered by implication. It is sufficient to say that goods are not *produced,* in the true sense of the word, until they are marketed—until they reach the consumer. The advice of the retailer is part of the costs of getting the goods to the consumer. No matter how expensive this process, it is worth the price, provided, first, that the goods are marketed economically, and secondly, that the advice of the retailer produces results that are satisfactory to the consumer.

It is evident that for each customer to work out the values of each article for himself would be uneconomical. Some specialized agency must perform that function. The retail store attempts to transmit to the customer the information given it by the manufacturer, manufacturer's demonstrator or salesman, jobber, wholesaler, or importer. The knowledge about the goods is part of the goods; the two cannot be separated. If the goods are sold without explanation, the customer has not received what rightly belongs to him.

It is evident, also, that if the advice of the retailer produces results that are satisfactory to the customer, the amount of money such advice costs the customer is justifiable. Competition between stores is continually seeking to bring out the truth about the goods; it is continually exhibiting shallow attempts at deceit. Customers are seldom tied up, body and soul, to any one store; they shop. Extravagant claims may be made by some dealers, but these may be offset by modest assertions backed up by a reputation for honesty on the part of others. Biased opinions regarding merchandise exist, just as biased opinions exist regarding politics, religion, education, etc., or any other subject—and for the same reason, viz., because people think differently and see things in different ways. Only in the minority of cases are biased opinions purposely advanced to mislead the customer. Permanent trade is desired by most merchants, not merely present sales. To secure permanent trade the customer cannot be made the victim of consciously biased advice.

Only through the statement of rival claims can the truth be most easily sifted out. In the case of vacuum cleaners, one salesman says that his machine has three points of superiority over his nearest rival, viz., (1) the switch will not get out of order; (2) the motor is dust-proof; (3) it beats as well as sweeps the carpet. The salesman of a competing machine says that, while all this may be true, his com-

petitor's machine takes the nap off the carpet and is, therefore, fundamentally destructive. On the basis of such claims and counterclaims, a buyer is stimulated to sift out the truth and arrive at an intelligent conclusion.

It may be true, and often is, that salespeople really believe that their article is the best. Naturally their advice and counsel is biased if they have not examined the entire field of similar merchandise. The customer should be stimulated by salespeople's claims to investigate the relative superiority of goods as regards the purpose it is desired they should fulfil. Some intelligence on his part must be assumed. It cannot be expected, however, that stores will be without honest bias.

4. Alleged Stimulus to False Standards of Living.—The final charge against the existing marketing system may be summarized in the assertion that it tends to establish false standards of living. This contention, if true, is fundamental and most grave.

It may be conceded at once that the immediate effect of the marketing methods of today is to make people dissatisfied with old ways and accustomed goods; to make them desire indeed not only new goods but better goods and more of them. Advertising and salesmanship are continually seeking to acquaint consumers with better methods of satisfying their daily wants, as well as revealing the existence of wants which formerly were unobserved. Labor-saving devices are sought for, to perform the functions of daily life which have been performed time out of mind by human muscle. Modes of shelter are sought which will not merely afford protection against the elements but which will express the personality of the owner. Clothing which gives grace, freshness, beauty, respectability and distinction is now demanded, as opposed to that which seeks only to cover nakedness or conserve bodily heat. Musicians from afar, with sentiment and emotion of

distant lands, now supplement the meager offerings of local talent, either in person or by proxy. Foods of the garden or neighborhood have their monotony broken by rare foods brought from the four corners of the earth. These and other goods too numerous to mention have been produced or brought from a distance and then have been advertised in order to stimulate the demand for them which exists although unrealized. Because, whether he knows it or not, man craves everything that will minister to his comfort.

Open-Mindedness the Condition of Progress.—Now, the willingness to change habits when it is advantageous to do so, exhibits an open-mindedness which is a condition of all progress. The New World would never have been discovered if Columbus or someone else had not accepted the idea that the earth was round. A willingness to change habits of thought had to exist beforehand. New methods of factory management which have increased production several hundred per cent, have made headway only because of the willingness of American enterprisers to try out something which had never been tried before. Likewise, the American farmer is using devices of production which were unheard of a generation ago. He does this because his mode of thought has not become static through custom and precedent. Mobility of thought, then, is of the utmost consequence to the welfare of the individual and the race.

It must be borne in mind, however, that change, innovation, may not always mean immediate progress. Where experimentation is practiced, much apparently futile effort may be expended before some advance is made.

Before the Industrial Revolution.—There was a time in England, before the Industrial Revolution, when every increase in income for the masses meant larger families and

increased drunkenness. Because of this vicious circle public leaders were not enthusiastic over increased income for laborers, and in some cases used governmental power to aid employers in retaining old wage rates. A certain clergyman by the name of Malthus became well-known through his essay on population wherein he maintained that progress is handicapped because population increases at a geometrical ratio while means of subsistence increase at an arithmetical ratio. Because of this supposed tendency of population to outstrip food supply, the people of that day were pessimistic as to the possibilities of raising the national standards of living. Malthus even went so far as to suggest the beneficent nature of wars, pestilence, starvation, vice, and crime in retarding the encroachment of population on food supply.

In the light of present-day production and standards of living, the views of Malthus and his contemporaries appear unreal. Yet at the time these views were held conditions seemed to justify them. In those days the only leash to elemental passions among the mass of the population came from negative restraints. When forces over which the laborer had no control gave him higher wages, he merely maintained his old standard of living and used the increased wages in satisfying his sexual instinct or physical appetites.

Social Benefits of Increased Production.—What has arisen in the last two hundred years to change the old condition of affairs? What has made it possible for the wage-earner to raise his standard of living, year by year, so that children continually have advantages and comforts unknown to their parents? The answer is, the increased production of goods made possible by power machinery and specialization, plus the appeal which these new goods make to consumers. The negative restraints which formerly held mankind to their old standard of living have been displaced by positive attractions

which enable men to set their standard of living higher. Goods, made attractive by advertising and salesmanship, forcibly impressed the worker with the possibilities of an increased income. This stimulus has led to increased wages, not caused merely by natural causes over which the laborer has no control, but even more by his own initiative or will to produce more goods so as to get more of all kinds of goods.

This stimulus to increased endeavor is the most important result of machine production and specialization. Yet another result, only second in importance, is the healthy outlet created for the increased income. That is, goods in all their present attractive forms absorb the increased income stimulated by these very goods. Thus the new circle is from increased production of goods to increased income of consumers, which causes increased demand for goods followed by increased production.

The Rising Standard of Living.—Certain critics of the present system, however, are tempted to think that the process just described has brought more harm than good. They see people striving strenuously for money to purchase goods which they (the critics) believe are not worth the effort. It may be worth while to attempt to ascertain briefly the nature of the goods which are not worth the effort to secure. Obviously, physically injurious commodities would come under this classification. The number, however, of these goods is constantly decreasing, due partly to the operation of laws, public opinion, business principles, and moral obligations. Classes of goods constantly increasing in consumption are: house furnishings, clothing, shelter, foods (especially rare ones), and luxuries—art works, education, automobiles, labor-saving devices, jewelry, travel, philanthropic service.

Possibly phonographs, stylish clothing, automobiles, fancy

foods, and fashionable furniture are not worth the effort expended to acquire them—but that is not the important question. The important question is, can the increased income which exists because of these enticing means of satisfaction be used for more durable and lasting commodities like education, art, philanthropy, drama, literature, and the like? There is no doubt that this will gradually be accomplished. The generations of the future will utilize more desirably the increased incomes derived from specialization, machinery, and the stimulus of advertised goods. But first of all, the income must exist, and at present it does exist, not only as a result of machinery and specialization, but because it finds an outlet or a capacity for being utilized in the many goods placed on the market.

It is by no means evident, moreover, that in the majority of cases present-day purchases comprise goods which are not worth the effort expended in acquiring them. Nine purchases out of ten mean greater comfort and happiness for the customer. Purchasing a new suit in order to be well dressed, even though the old suit is not worn out, may seem a waste of effort. A little analysis, however, will indicate that there is no intrinsic value in the suit itself; value only attaches to it when it is socially valued, i.e., when people co-operatively appraise its worth. If newness and freshness are qualities in clothing which this generation admires, this social value must be the one that is preponderantly considered.

A higher standard of living is thus being developed because of greater income. This higher level of comfort and happiness may appear meager and inconsequential to generations that follow, but for those who are now experiencing the satisfaction of new desires it is significant.

The Charge of Materialism Not Valid.—It may be urged, however, that all this is an enormous stimulus to a materialistic

view of life and to disregard of higher things. While this charge of materialism is so commonly made against present-day society that many believe it because of its very persistence, strong evidence exists to prove that it is unfounded in fact. The truth is, on the contrary, that the production of goods has in itself exhibited to men possibilities of spiritual development which were hitherto unrealized.

Unquestionably, with the introduction in homes of each new article of modern productive processes has come the habit of using it, and the indisposition to do without it. This natural disinclination to give up what has already become common through use is a standard of living. It is a conception of well-being which men will fight for rather than give up. It is the inheritance of a century of greater material progress than the world has ever seen. It is dependent upon goods—goods in greater quantities, goods in ever increasing varieties. To allege that the present marketing system is faulty because it places emphasis on goods, is to say that life is defective because it depends on life.

A Sound Basis for True Progress.—The truth is all against the contention that increase of material comfort has bred materialism. With the invention of the steam engine in 1760, and the resulting Industrial Revolution, when goods were produced on a scale formerly undreamed of, standards of material life began to rise. At the very same time education increased in importance. A breaking away from precedents and a new spirit of rational thought and conduct characterized the new society which was evolved from the poverty stricken hordes of the previous centuries. The concern for education and for higher moral values throughout society has grown steadily with the increase of material welfare. The minimum wage, child labor laws, short hours for women, sanitary regulations for shops and factories, accident prevention

devices, social welfare bureaus, arbitration boards, conciliation committees, and similar institutions, are evidences of attempts at a practical application of the Golden Rule. Moreover, a new morality is in evidence among business men, and a growing desire to give a "square deal" to all with whom they carry on business dealings. It is safe to say that the further men get away from the competition for bare subsistence, the tooth and claw age, the more will they heed and apply the fundamental principles of religion.

A sound economic basis is necessary for a permanently healthful spiritual development. Heretofore, such an economic basis has not been possible, but with the rapid advances in productive enterprises it may be possible within the next few centuries to lay the foundations for a real, invigorating religion. This will have to be a natural growth, religion developing along with the growth of material wealth, until one becomes part of the other in a standard of living which through habit will become permanent.

APPENDIX

COLLATERAL READINGS

Chapter I

Butler, R. S., and Swinney, J. B. Marketing and Merchandising. New York, Alexander Hamilton Institute, 1919. Part I, Chaps. I and V.

Cherington, P. T. The Elements of Marketing. New York, The Macmillan Co., 1920. Chaps. I, II, III, and IV.

Copeland, M. T. Marketing Problems. Chicago, A. W. Shaw Co., 1920. Part I.

Duncan, E. D. Marketing. New York, D. Appleton & Co., 1920. Chaps. IV, V, and XV.

Nystrom, P. H. The Economics of Retailing. New York, Ronald Press Co., 1919. 2nd ed., Chap. I.

Shaw, A. W. Some Problems in Market Distribution. Cambridge, Harvard University Press, 1915. Chaps. II and III.

—— An Approach to Business Problems. Cambridge, Harvard University Press, 1916. Chap. XI.

Chapter II

Butler, R. S., and Swinney, J. B. Marketing and Merchandising. Part II, Chap. XI.

Cherington, P. T. Advertising as a Business Force. New York, Doubleday, Page & Co., 1913. Chaps. II and VI.

—— First Advertising Book. New York, Doubleday, Page & Co., 1916. Chaps. IV, V, and VIII.

—— The Elements of Marketing. Chaps. XV and XVI.

Copeland, M. T. Marketing Problems. Problems: 16 and 21.

Douglas, A. W. Merchandising. New York, The Macmillan Co., 1918. Chaps. I and XII.

Marshall, Alfred. Industry and Trade. New York, The Macmillan Co., 1919. Book II, Chaps. III and IV.

Chapter III

Butler, R. S., and Swinney, J. B. Marketing and Merchandising. Part I, Chap. VI; Part II, Chap. I.

Cherington, P. T. Advertising as a Business Force. Chap. VIII.

Copeland, M. T. Marketing Problems. Problems: 49, 53, 55, 57, 59, 60, 61, 63, 66, 70, 73, 74, 76, 77, 78, 80, 81, 82, 83, 86, 87, 100, 125.

Marshall, Alfred. Industry and Trade. Book II, Chap. VI.

Marshall, L. C. Readings in Industrial Society. Chicago, University of Chicago, 1918. pp. 242-266.

Weld, L. D. H. The Marketing of Farm Products. New York, The Macmillan Co., 1916. pp. 58-65.

Chapter IV

Butler, R. S., and Swinney, J. B. Marketing and Merchandising. Part I, Chaps. VII and VIII; Part II, Chap. II.

Cherington, P. T. Advertising as a Business Force. Chap. IX, pp. 34-35; 197-204.

Copeland, M. T. Marketing Problems. Problems: 26, 50, 64, 67, 68, 69, 177, 178, 179, 180, 182.

Marshall, Alfred. Industry and Trade. Book II, Chap. VII.

Marshall, L. C. Readings in Industrial Society. pp. 203-212.

Chapter V

Butler, R. S., and Swinney, J. B. Marketing and Merchandising. Chap. V.

Cherington, P. T. Advertising as a Business Force. pp. 157-171.

—— First Advertising Book. Chap. VI.

—— The Elements of Marketing. pp. 128-129; 142-143; 163; 179-180; 217-218.

Copeland, M. T. Marketing Problems. Problems: 27, 31, 32, 33, 34, 47, 181.

Duncan, C. S. Marketing. pp. 340-347.

Nystrom, P. H. The Economics of Retailing. 2nd ed., Chaps. II and XIV.

Chapter VI

Butler, R. S., and Swinney, J. B. Marketing and Merchandising. Chap. VI.
Cherington, P. T. Advertising as a Business Force. pp. 171-195.
—— First Advertising Book. Chap. VII.
—— The Elements of Marketing. pp. 129-130; 163; 200-202.
Copeland, M. T. Marketing Problems. Problems: 35-40.
Nystrom, P. H. The Economics of Retailing. 2nd ed., Chap. XVI.

Chapter VII

Cherington, P. T. Advertising as a Business Force. pp. 195-196.
—— The Elements of Marketing. pp. 36; 220-221.
Duncan, C. S. Marketing. pp. 351-355.
Nystrom, P. H. The Economics of Retailing. 2nd ed., Chap. XVII.

Chapter VIII

Butler, R. S., and Swinney, J. B. Marketing and Merchandising. Chap. VII.
Cherington, P. T. First Advertising Book. Chaps. III and XII.
Copeland, M. T. Marketing Problems. Problem 46.

Chapter IX

Butler, R. S., and Swinney, J. B. Marketing and Merchandising. Chap. IX.
Cherington, P. T. First Advertising Book. Chap. IX, pp. 44-50.
Douglas, A. W. Merchandising. Chaps. II and IV.
Nystrom, P. H. The Economics of Retailing. 2nd ed., Chap. III.
Shaw, A. W., Co. Purchasing Problems. Chaps. I, VI and VII. Chicago, A. W. Shaw Co., 1914.

Chapter X

Butler, R. S., and Swinney, J. B. Marketing and Merchandising. Chaps. III, IV, and XIII.
Cherington, P. T. First Advertising Book. pp. 30-43.

Copeland, M. T. Marketing Problems. Part II. Problems: 28, 29, 48, 56, 58, 65, 71, 72, 88, 90, 92, 93, 96, 124, 126, 127, 128, 130-141, 147, 149-154, 156-167, 169, 170-173, 191.
Douglas, A. W. Merchandising. Chaps. V-IX.
Duncan, C. S. Marketing. Chaps. II, III, XIII, and XIV.
Shaw, A. W. An Approach to Business Problems. Chap. XIV.

Chapter XI

Butler, R. S., and Swinney, J. B. Marketing and Merchandising. Chap. X.
Cherington, P. T. Advertising as a Business Force. Chap. III.
Copeland, M. T. Marketing Problems. Problems: 174, 176, 188-200.
Douglas, A. W. Merchandising. Chap. XIII.
Duncan, C. S. Marketing. Chap. XX.
Ivey, P. W. Elements of Retail Salesmanship. New York, The Macmillan Co., 1920. pp. 38-42.
Shaw, A. W. An Approach to Business Problems. Chaps. XII, XIII, and XVI.

Chapter XII

Cherington, P. T. Advertising as a Business Force. Chap. XIII.
Copeland, M. T. Marketing Problems. Problem 186.
Marshall, Alfred. Industry and Trade. Book II, Chap. I.
Taylor, F. M. Principles of Economics. New York, Ronald Press Co., 5th ed., Chap. IV.

Chapter XIII

Cherington, P. T. First Advertising Book. pp. 509-554.
Marshall, Alfred. Industry and Trade. Book III, Chaps. I and II.
Taylor, F. M. Principles of Economics. 5th ed., Chap. IX.

Chapter XIV

Cherington, P. T. Advertising as a Business Force. Chap. XI.
—— First Advertising Book. pp. 494-508.
—— The Elements of Marketing. Chap. XIV.

Copeland, M. T. Marketing Problems. Problems: 183, 184, 185, 187.
Duncan, C. S. Marketing. pp. 395-399; 472-473.
Marshall, L. C. Readings in Industrial Society. pp. 105-115.
Munn, O. D. Trade Marks, Trade Names. New York, Munn & Co., 1915. (Entire.)
Rogers, E. S. Good Will, Trade Marks and Unfair Trading. Chicago, A. W. Shaw Co., 1914. Chaps. XV-XXI.
Tipper, Harry; Hotchkiss, G. B.; Hollingworth, H. L.; Parsons, F. A. Principles of Advertising. New York, Ronald Press Co., 1919. Chap. VI.

Chapter XV

Butler, R. S., and Swinney, J. B. Marketing and Merchandising. Chaps. IX and XII.
Cherington, P. T. Advertising as a Business Force. Chap. XII, p. 279.
Copeland, M. T. Marketing Problems. Problems: 19, 20, 21.
Duncan, C. S. Marketing. Chap. XVII, pp. 235-239.
Marshall, L. C. Readings in Industrial Society. pp. 132-142.
Murchison, C. T. Resale Price Maintenance (Columbia University Studies). New York, Longmans, Green & Co., 1919 (Entire.)
Nystrom, P. H. The Economics of Retailing. 2nd ed., Chap. XIV.
Rogers, E. S. Good Will, Trade Marks, and Unfair Trading. Chap. XXVII.
Shaw, A. W. An Approach to Business Problems. Chap. XV.
Tausig, F. W. Principles of Economics. New York, The Macmillan Co., 1915. 2nd ed., Vol. I, pp. 153-158.

Chapter XVI

Cherington, P. T. The Elements of Marketing. Chaps. XVII and XVIII.
Copeland, M. T. Marketing Problems. Problem 17.
Douglas, A. W. Merchandising. Chap. III.
Duncan, C. S. Marketing. Chap. XXI.
Nystrom, P. H. The Economics of Retailing. 2nd ed., Chap. V.

Chapter XVII

Copeland, M. T. Marketing Problems. Problems: 20 and 54.
Douglas, A. W. Merchandising. Chap. XI.
Sammons, Wheeler. Keeping Up with Rising Costs. New York, A. W. Shaw Co., 1915. Chaps. I and II.
Weld, L. D. H. The Marketing of Farm Products. Chap. XX.

Chapter XVIII

Bureau of Business Research, Harvard University. Bulletins.
Cherington, P. T. The Elements of Marketing. Appendix.
Copeland, M. T. Marketing Problems. Problem 18.
Sammons, Wheeler. Keeping Up with Rising Costs. Chaps. III and IV.

Chapter XIX

Cherington, P. T. The Elements of Marketing. Chaps. V, VI, VII, and VIII.
Copeland, M. T. Marketing Problems. Problems: 99, 104, 105, 111 and 112.
Duncan, C. S. Marketing. Chaps. VI, VIII, and IX.
Huebner, G. G. Agricultural Commerce. D. Appleton & Co., 1915. Chap. III.
Weld, L. D. H. The Marketing of Farm Products. Chaps. VIII and XI.

Chapter XX

Boyle, J. E. Speculation and the Chicago Board of Trade. New York, The Macmillan Co., 1920. Chap. V.
Cherington, P. T. The Elements of Marketing. Chaps. IX and X.
Copeland, M. T. Marketing Problems. Problems: 97, 98, 101, 102, 103, 106, 107, 108, 109, 110, 113, 114, 115, 116, 119, 120, 121, 122, 123, 145.
Duncan, C. S. Marketing. Chaps. VII, X, and XII.
Hagerty, J. E. Mercantile Credit. New York, Henry Holt & Co., 1913. Chaps. IV and V.

Huebner, G. G. Agricultural Commerce. Chaps. VII, XIV, XV, and XVI.
Marshall, Alfred. Industry and Trade. Book II, Chap. V.
Weld, L. D. H. The Marketing of Farm Products. Chaps. XIII, XIV, XV, and XVI.

Chapter XXI

Cherington, P. T. First Advertising Book. Chap. XIV. pp. 3-11.
Harris, E. P. Co-operation, The Hope of the Consumer. New York, The Macmillan Co., 1918. Chaps. I, II, III, and IV.
Ivey, P. W. Elements of Retail Salesmanship. pp. 121-135.
Marshall, Alfred. Industry and Trade. Appendix J.
Marshall, L. C. Readings in Industrial Society. pp. 828-846.

INDEX

A

Accounting,
  accounts, bad, 252
  bank's attitude toward store accounts, 237
  costs, reduction of, 249
  system, developing intelligent, 236
Advertising,
  competition, excessive, 169
  competitors, non-advertising, 168
  constant-cost goods, 188
  co-operation, jobber and retailer, 23
  cost, 166-195
    brands, well-known, 189-195
    constant-cost goods, 167, 182-185
    consumer, 175, 179, 180
    decreasing-cost goods, 173
    distribution, 167-195
    effect of, 176
    efficiency, increasing, 178
    expenses, 175-179
    fixed-supply goods, 182-185
    incidence of, two implications, 166
    increasing-cost goods, 170-173
    inefficient, 270
    jobber, 22
    joint-cost goods, 185-189
    not a burden expense, 180
    price determination by decreasing, 174
    ratio of increase, 175
    scientific analysis, lack of, 166
    segregating, 270
    selling price, when included in, 171
Advertising—*Continued*
  creator of value, 155
  dealer helps, 25-29
  demand,
    and distribution, 163
    control, 158
    fixed-supply goods, 182
  effect of, on competition, 154
  efficiency,
    factors of, 162
    salesmanship, and, 152
  failure of, to eliminate jobbers' market, 22
  included in cost of doing business, 26-29
  marketing methods, relation to, 156
  prices,
    effect of advertising on, 177
    products, distinguishing similar, 156
    salesmanship, relation to, 153
    selling the retailer and jobber, 164
    trade-names, 160-161
    unadvertised goods, effect on, 157
Advice, cost of, 323
Agricultural products,
  boards of trade and speculation, 305
  buyers' market *vs.* sellers', 298
  commission houses, 303
  corners in speculation, 309
  difficulties of grading, 286
  education as remedial force in marketing, 312
  financing, 292

Agricultural products—*Continued*
future contract on, 286
grading, 285
abuses of, 300
difficulties of, 286
hedging, 294
illustration of, 295
speculation without, 296
insurance, speculation as, 306
integration, tendencies toward, 298-314
manufactured products, similarity in marketing of, 285
market information, need of, 290
marketing of, 285-314
relation of rate-making to, 291
news, market, 293
price fluctuations, 308, 310
producers' prices, 305
railroad rates, effect of, 290
reforms in marketing of, 313
refrigerator cars, 288
ownership of, 289
remedies for abuse, 312-314
education, 312
government supervision, 313
reform from within, 313
reports, government supervision of markets, 304, 313
speculation, 293-297, 305-312
hedging, 294
storage, 287, 301
transactions *vs.* actual transfers, 311
transportation, 288
Analysis, market (See "Market")
Approval, goods bought on, 318
Associations, credit, 254–258

B

Banks, attitude toward store accounts, 237
Bargains, buying of, 120
Bonuses, chain stores, 78
Brands,
cost of advertising well-known, 189-195
private, 44, 47, 48
Business,
cost of doing, 240
interest included in, 248
Business connections, establishment of, 14
Buyer,
retailer's analysis in market of, 114
transformation of seller to, 19
Buying methods (See "Purchasing methods")

C

Cash, ingenious methods of stealing, 276
"Cash and carry" *vs.* delivery, 260
Cash policy, mail order business, 103
Catalogues, mail order houses, 95, 96
"Caveat emptor," principle of, 330
no longer dominant, 320
Chain store,
antagonism, 82
bonuses, 78
business control, scientific, 78
buying advantages, 74
buying direct from manufacturers, 75
collective methods, 80
community antagonism, 82
cost-to-sell, low, 78
cut-price system, 76
delivery, policy of no, 79
development of, 73
formation of large, 84
future of, 83
good-will, loss of, by cut-price system, 76
loyalty to employer lacking, 81
management of, expertness, 77
origin of, 73
policy of no delivery, 79

Chain store—*Continued*
premiums, 78
purchasing power, 84
salary average, 81
selling advantages, 75
specialization, advantages of, 76
turnover, rapid, 80
weakness, 81
Coercion,
avoidance of, by co-operation, 27
Collection methods,
chain stores, 80
effect of bad, 253
Commission houses, 303
Commodities (See "Merchandise")
Community,
antagonism to chain stores, 82
character of American, 88
delivery systems, 268
donations, demands for, made upon merchants, 271
pride, 109
Competition,
effect of advertising on, 154
non-advertising, 168
price-determining power of, 232
price maintenance stimulates, 221
retail, analysis, 41
trade-marks, effect upon, 207
Confidence, 147
Consumers,
communication with producer, 10
continued us of product, 149
counterparts of satisfaction, 146
expenses carried by, 175, 179
separation from producer, 8
ultimate markets, 139
Consumption, price a directive of, 227
Co-operation,
coercion methods, avoidance of, 27
dealer helps, 25-29
demonstrations, 26
department stores,
criticism of, 321
growth of, 60
Co-operation—*Continued*
extent of manufacturers', 27
integration, 28, 29
jobber and manufacturer, 24
market analyses, 123
retailer and manufacturer, 24
wholesale, 53-56
window displays, 26
Cost,
accounting methods to determine, 236
advertising, 166-195, 269-271
bad accounts, 252
bad debts, 252
chain stores, 78
correction methods, effect of bad, 253
constant-cost goods, 167
credit extension, 254-259
decreasing,
chief advantage of, 30
definition of, 173
delivery systems, retail, 68, 259-268
depreciation, 243
distribution by manufacturer, 31
doing business, 240
donations, 271-273
drayage, 279
elasticity, wide range of, 251
expressage, 279
freightage, 279
fuel, 278
gross sales, percentage, 269
ice, 278
ignorance of, 249
increasing-cost goods, definition of, 170
insurance, 274
interest, 247
inventories, 276
labor, 242
light, 278
losses by theft, 276
mail order business, 106
marketing, 234

Cost—*Continued*
measurement of, 250
merchandising, 234-284
obsolescence, 244
percentage mark-up, basis, 283
power, 278
price spread, cause of, 234
prices, based on, 227
professions, economic, 250
rent, 241
repairs, 245
sales, adding per cent of, to cost price, 280
selling price, computation, 282-284
stolen goods, 274
subscriptions, 271-273
supplies, 246
taxes, 274
telegraph and telephone, 279
thefts by customers, 274
thefts by salespeople, 275
turnover, 230-237
Creating wants, 320
Credit,
associations, 254-258
mail order business, 103
Critique of marketing, 315-331
Custom, production of goods because of, 187
Customer,
disregard of, by producer, 8
handicap in serving, 9
mail order houses, 86-113
thefts committed by, 274
viewpoint of retailing, 320
Cut-price system in chain stores, 76

D

Data, methods of gathering, 132
Dealer helps, 25-29
Debts, bad, percentage of, 252
Delivery,
as a cost of doing business, 259
"cash and carry" plan *vs.*, 260
Delivery—*Continued*
centralized systems, 261
objections, 266
privately owned, 264
chain stores, 79
community, adapting system to, 268
co-operative retail system, 261-264
cost, percentage, 265
errors, 267
Demand and supply,
advertising to create, 158
analysis of, 141
knowledge of, 125
relation to distribution, 163
Demonstrations, 26
Department store,
advertising expense, 68
buying advantage, 62
competition with small dealer, 63
co-operative, growth of, 60
credit system, 66
delivery costs, 68
dissatisfied customers, 71
economies resulting from combination, 65
educational campaigns, 71
functions, specialization of, 64
gratuitous service, 69
inefficiencies of, 70
methods, changing, 57
one-price system, 59, 321
origin of, 61
post-Civil War period, 58-61
pre-Civil War period, 57
progressive methods, 60
ratio of rent to gross sales, 67
rents, 66
salaries, percentage of, to sales, 69
sales, loss of, 70
service,
emphasis on, 59
new ideals of, 62, 322
specialized departments, 65
traveling salesmen, rise of, 58

Department store—*Continued*
violation of merchandise basis of differentiation, 16
Depreciation, 243
rate of, varies, 244
"Different goods," mail order houses, 93
Discounts,
extra, 119
quantity, 116
secret, 102
turnover *vs.* quantity, 117
Distributive systems (See "Market")
Doing business,
cost of, 106, 240
Donations, made by merchants to community, 271-273
Drayage, item of cost, 279

E

Economic costs, ignorance of, 249
Educational campaigns, department stores, 71
Express, item of cost, 279

F

Federal Trade Commission, 91
Financial aid, wholesaler to retailer, 39
Financial statements to secure bank credit, 237
Financing agricultural products, 292
Fixed supply goods, price determination of, 230
Freight, item of cost, 279
Friendship as buying motive, 120
Fuel, item of cost, 278
Future contracts, agricultural products, 286
"Future dating," chain stores, 74

G

Goods (See "Merchandise")
Good-will, relation to trade-mark, 206
Government,
price-fixing by, 231
supervision of market reports, 304, 313
Groceries, elimination of wholesaler nearly impossible, 12

H

Habit in purchasing, 124
Hedging, 294
without speculation, 296

I

Ice, item of cost, 278
Increasing cost goods, advertising cost, 170-172
Independent store, future of, 85
Indexes, card, 255
Industrial revolution, 3-4, 326
Insurance, item of cost, 274
Integration (See "Market")
Interest as cost, 247
Inventories as cost, 276

J

Jobber,
co-operation with manufacturer, 24
failure to eliminate by advertising, 22
readjustment of market, 21
Joint-cost goods, 185-189
"Just-as-good" article, advertising as a remedy, 164

L

Labor, cost of, 242
Light, cost of, 278
Local merchants *vs.* mail order business, 107-109
Long-time credits, 116
Losses,
by theft, 276
mail order business, 103

M

Mail order house,
advantages, 101-111
advertising as an element in, 87
antagonism of small dealer, 91
arguments against, 111, 112
buying power, 101
cash policy, 103
catalogue, 87
character of, 89
communication, increased facility of, 87
communities, character of as affecting, 88
cost-to-sell, 106
credit, extension of, 103
demand, creating, 100
description from catalogue, 95
discounts, secret, 102
economies of operation, 101-106
growth of, 86
guaranty, 99
imagination, appeal to, 96
local community pride, 109
local merchant *vs.*, 107-109
losses, 103
markets, no geographical limits, 106
merchandise, 90-97
policy of low-price impression, 91
prices, 91
retail store, use of mail orders, 109
retailers' attitude toward, 86
service, 89, 97-99
Management, 105
"taking money out of town" argument, 111
answer to, 112
turnover of goods, 104
transportation as affecting, 110
Manufacturers,
advertised goods, retailers' attitude toward, 138
buying interest in retail trade, 119
commodity, analysis of, 139-147
co-operation with jobber, 24
Manufacturers—*Continued*
co-operation with retailer, 24
dealer helps, 25-29
direct selling methods, 18-31, 35
distributing costs, 171
distributing markets, 133
distributing methods, new, 18-31
elimination of jobber and retailer, 25
knowledge of markets, 132
markets, 132-151
analysis of wholesale, 135
buyers', 19
channels, return to old methods, 23
knowledge of by manufacturer, 132
retail, 136
ultimate, 139
wholesale, 134
trade-names, advertising of, 160
wholesaler, services rendered to, 32-37
Mark-down sales, 79
Market,
advertised goods, 138
analysis, 132-151
co-operation, 123
methods of gathering data, 213
research departments to ascertain, 145
retail, 114-131
summary, 150
buyers', 18-31, 132
creating wants, 148, 316
demand and supply, analysis of, 141
direct selling, 28-30
education of buying public in, 150
ignorance of, 124
integration of, 18-31
jobbers', 20
kinds of, 147
limit of, defining, 128
maintenance of sales, 149

Market—*Continued*
manufacturers', 132-151
"new-use," 148
overlapping, 129
potential supply as an integrating force, 29
production, pressure of upon, 3
publicity for, 150
purposes in creating, 147
readjustment, sellers' to buyers', 19
repurchases to maintain, 149
reputation necessary to maintain, 147
retail, 114-131, 136
criticism of, 316-331
defects, 115-126
manufacturers', 136
territories for, 129
sales maintenance, 149
sellers', 132
readjustment to buyers', 18-31, 114
surveys, 122, 128
trade-mark, 149
ultimate, analysis of, 139
wholesale, analysis of, 134
world, 106
Marketing,
functions,
differentiation, 3-18
integration, 19-31
methods of, 197
progress, sound basis for true, 300
re-adjustment of, from sellers' to buyers', 18-31
sellers', 18-31
trade-mark as a device for, 198, 214
traditional system,
development, 4
modification of, 9
relation of advertising, 159
Merchandise,
analysis, 145
approval, purchased on, 318
Merchandise—*Continued*
demand and supply, analysis of, 141
demand, knowledge of, 125
different market for, 130
flow of, regulated by wholesaler, 34
grading and classifying by wholesaler, 35
honest representation, 214
marketing, three methods of, 197
markets,
analysis, 132-151
retail, 114-131
nature of, 183
purchasing methods of retailer, 114-126
standard goods, 122
storing of, by wholesaler, 38
supply and demand, 183
Middleman, 8
costs of, 16
elimination of, 5, 19
functions of, 6-8, 15
profits, 16
types, 15
Monopoly, trade-marks, 206

O

Obsolescence, included in depreciation, 244
"One-price system," 59, 321

P

Percentage mark-up, illogical basis for figuring, 283
Physical inspection of merchandise, 107
Post-Civil War period characteristics of, 58
Potential supply as an integrating force, 29
Power, item of cost, 278
Pre-Civil War period characteristics of, 57
Premiums, chain stores, 78

Price,
advertising, effect on, 177
arriving at "right," 216
competition, determining power of, 232
consumption, directive of, 227
cost, based on, 227
determination, 174, 215-223
distribution,
effect of cutting, 215
maintaining, 215
fair, 226
fixed, prevents exorbitant profits, 222
fixed supply goods, determination of, 230
fixing,
by government, 231
by private organizations, 233
retailers attitude towards, 218
fluctuation and speculation, 308, 310
maintenance,
arguments for and against, 219, 220
difficulties in proposed solution, 225
public policy, standpoint of, 222
solution of problem, 223
stimulates competition, 221
one, 321
profits, fair, 226
public policy, maintenance from standpoint of, 222
retail, determining, 229
retailer, attitude of, toward fixed, 217
selling, finding of, 280
spread in, 234
value, based on, 227
Price-cutting, 76, 224
introduces substitutes, 221
Producer and consumer,
direct communication with, 10
disregard of, 8
Producer and consumer—*Continued*
handicap in serving, 9
separation from, 8
Production,
markets, pressure of, upon, 4
price directs, 228
social benefits of increased, 327
Professions, economic costs in, 250
Profit,
cause of, 235
fair, 226
ignorance of market reduces, 124
middlemen, 16
nature of, 235
price, fixed, prevents exorbitant, 222
private brands, 46
Progress,
open-mindedness a condition of, 326
sound basis for true, 330
Proprietorship, advantages of, 250
Publicity, to create market, 150
Purchasing methods,
based on habit, 124
discounts, 119
efficiency of, 126
mail order business, 104
"on approval," 318
standard goods, 122
public interest, 118
retail, 114-126
defects in, 115-122
from jobbers, 126

R

Railroad rates, effect on agricultural products, 290
Readjustment of markets,
jobbers' viewpoint, 21
manufacturers' viewpoint, 20
retailers' viewpoint, 20
Refrigerator cars, 288
Rents,
expense, 241
retail stores, 66

Repairs, 245
Reputation necessary to maintain a market, 147
Research, to find counterparts of satisfaction, 145
Retail prices, determining, 229
Retailer,
advertised goods, attitude toward, 138
advice of, 323
analysis in buyers' market, 114
approval, goods bought by customer, 318
assumption of wholesalers' function, 51
attitude of large, toward fixed prices, 218
bargains as inducements, 120
catalogues, use of, 110
commodities, market for different, 130
co-operation with manufacturer, 24
credits, long time, 116
demand, knowledge of, 125
development of, 57
discounts,
extra, 119
quantity, 116
economic cost, ignorance of, 249
elimination of, 13
failures, causes of, 117
mail orders, use of, 109
market, 114-131
criticism of, 316-331
defects, 115-122
limits of, 128
overlapping, 129
markets of distribution, 136
methods, changing, 57
new condition, attitude toward, 86
one-price system, 321
overstocking, 116-118
price, fixed, attitude toward, 217
profits, ignorance of market reduces, 124
Retailer—*Continued*
purchasing methods, 114-126
automatic, 124
bargains as inducements, 120
based on friendship, 120
based on special inducements, 115, 120
basis of, 126
discounts, 116-119
efficiency, 114
habit, 124
manufacturer's interest in, 119
obligation, based on, 126
public interest on, 118
quantity *vs.* turnover discounts, 117
readjustment of market, 22
standard goods, 122
salesmen, friendly, 121
salesmanship, better needed, 317
service devices, 322
surveys, social and economic, 122
trade survey, 128
turnover, cost of, 117

S

Sales,
cost price, adding per cent of, 280
gross, percentage of, relation to advertising, 269
loss of, 70
maintenance markets, 149
market analysis, 132-151
Salesmanship,
efficiency of, compared to advertising, 152
need of better, 317
relation of advertising to, 153
Salespeople, thefts committed by, 275
Sellers' market, re-adjustment to buyers', 19
Selling,
dealer helps, 25-29
price, expense of advertising when included, 171

Selling—*Continued*
retailer and jobber, advertising as a means to, 164
Service,
department stores, 59, 62, 69
mail order, 89, 97
new devices of, 322
personal, 108
store, new ideals of, 62
Social surveys, 122
Specialty store,
advantage of combination system, 65
advertising expenses, 68
ratio of rent to gross sales, 67
rents, 66
salaries, percentage of, to sales, 69
Speculation, 305-312
Speculative transaction, 293
"Standard goods," confining purchases to, 122
Standard of living,
alleged stimulus to false, 325
rising, 328
Stolen goods, item of cost, 274
Storage of agricultural products, 287
Subscriptions, cost of, 271-273
Supplies, 246
Surveys,
social and economic, 122
trade, 128

T

"Taking money out of town" argument, 111
Taxes, item of cost, 274
Telegraph and telephone, item of cost, 279
Tests, to ascertain satisfaction in commodities, 145
Thefts,
by customers, 274
by salespeople, 275
stealing cash, 276
Trade-mark,
alteration of law in 1920, 204
attaching to products, 205
classification, functional, 199
competition, effects of, 207
dependent on industry, 206
descriptive, 201
geographical names, exploitation of, 203
good-will, relation to, 206
law of, 201-205
marketing device, 198
monopoly, 206
names of persons, 203
necessity of, 196
protecting a family of products, 199
purchasing goods by, 196
unfair competition, 208-214
Trade-names,
advertising of, 160
as marketing machinery, 214
prerequisites of, 161
Trade survey, 128
Transactions *vs.* actual transfers, 311
Transportation,
agricultural products, 288
effect of on mail order business, 110
Turnover,
activity of, 237
chain store, 80
mail order business, 104
rate of figuring, 239

U

Unadvertised goods, 157
Undue influence, factor in marketing, 316
Unfair competition,
deceptive designations, 212
identification devices, 214
imitations, 211
infringements, 209
label, imitation of, 211
mail order houses, practiced by, 91, 102

Unfair competition—*Continued*
names, deceptive, 210
packages, imitation of, 211
protecting a family of products, 199
refilling genuine packages with counterfeit goods, 213
substitution, 213
trade-marks, 214
law of, 201-205
United Cigar Stores Company, 84

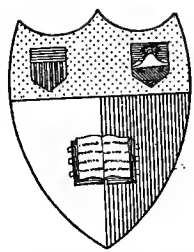
V

Value,
advertising as a creator of, 155
prices, based on, 227
"Variable price system," 57

W

Wholesaler,
assumption of retailers' function, 52
criticism, unjustified, 32
elimination of, 11
manufacturer, services rendered to, 32
advertising, 33
establishing connection with retailers, 32
grading and classifying commodities, 35
market conditions analyzed, 36
regulating flow of commodities, 34
Wholesaler—*Continued*
manufacturer, services rendered to —*Continued*
retail credit problems taken over, 35
manufacturing,
assumption of retailers' function, 52
distribution, hindrances to large-scale, 50
private brands, 44-48
profit on private brands, 46
retailer assuming function, reasons for, 51
rise of, 43
market, analysis of, 134
new types,
co-operative, 53-56
manufacturing, 43-52
private brands, 45
profit on, 46
retailer, services rendered, 38
analyzing conditions, 41
competition stimulated, 40
demonstrations, 42
establishing connection with manufacturer, 38
financial aid, 39
storing commodities, 38
selling function reduced, 14
Window displays, 26
Woolworth, F. W., Company, 84

HF
5415
C52



Cornell University Library
Ithaca, New York

BOUGHT WITH THE INCOME OF THE

SAGE ENDOWMENT FUND

THE GIFT OF

HENRY W. SAGE

1891

ue

29 '32

N 26 '32

N

APR 3 8 1950 A T

DEC 3 1959 M P

MAY 2 1960 M E

JAN 1 4 1963 M S

Cornell University Library
HF5415 .C52
The elements of marketing /
3 1924 030 157 246
olin

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924030157246

THE ELEMENTS OF MARKETING

THE MACMILLAN COMPANY
NEW YORK · BOSTON · CHICAGO · DALLAS
ATLANTA · SAN FRANCISCO

MACMILLAN & CO., LIMITED
LONDON · BOMBAY · CALCUTTA
MELBOURNE

THE MACMILLAN CO. OF CANADA, LTD.
TORONTO

THE
Elements of Marketing

BY

PAUL T. CHERINGTON
Secretary of the National Association of Wool Manufacturers
Sometime Professor of Marketing in the Graduate School
of Business Administration, Harvard University

New York
THE MACMILLAN COMPANY
1921

All rights reserved

HB

A508610

COPYRIGHT, 1920,
BY THE MACMILLAN COMPANY.

Set up and electrotyped. Published July, 1920.

Norwood Press
J. S. Cushing Co. — Berwick & Smith Co.
Norwood, Mass., U.S.A.

PREFACE

THIS book, while it deals with the elements of marketing, is not a book for beginners. Marketing in the aspects here treated is of the nature of an applied science; and in somewhat the same way that a treatment of the elements of bridge design would necessarily take for granted a firm grounding in underlying sciences, so it has been necessary to assume here a clear grasp of economic principles. At the same time, these principles have been dealt with as applied to this special branch of business, and for that reason there has been an avoidance, perhaps too scrupulous, of the terminology of the science.

Moreover, the treatment of the subject has been confined to the concrete problems of merchandise distribution. The larger aspects of the subject have been left to others better fitted to deal with them. The able discussion of this phase of the subject which has appeared in Alfred Marshall's *Industry and Trade*, published after these chapters were ready for the press, fully covers that field. In the collateral readings here listed numerous references to this remarkable book are included.

My purpose has been to present a simple statement of the problems of marketing by functions. As result of twelve years of teaching the subject of marketing

in the Graduate School of Business Administration at Harvard University, I have become convinced that really constructive work in this field will be achieved only by getting back of the complex forms of the marketing mechanism to the functions for the performance of which these various devices have developed. This is the central idea about which these chapters are grouped.

All of the various points covered might well be illustrated by accounts of marketing experiences, as is done in a few cases. I have felt, however, that to do this adequately would make the book too voluminous and would also obscure the main idea, the presentation of which is the book's object. I have been content, therefore, to utilize references to other easily accessible books which contain illustrative material and to suggest the sort of problem work which will produce illustrations better than could be put into a book.

PAUL T. CHERINGTON.

1920.

CONTENTS

PAGE

INTRODUCTION 1

No good single word for describing the processes of distributing merchandise. Sale only one part of the process. The term "marketing" is open to objections but is used for want of a better one. Some marketing is simple and direct even under modern conditions. But direct marketing is not the typical form. Some of the chief features of what are termed "modern" conditions of marketing.

CHAPTER I

THE ELEMENTS OF MARKETING 6

The essential task of marketing is to effect a change in ownership. Direct and indirect marketing. The marketing functions in direct marketing are elementary. In indirect marketing complex auxiliary services are added to the task of changing ownership. Essential activity in any case is to bring together buyer and seller in a trading mood. Direct contact. Indirect contact. Artificial contact. All three forms are real contact between buyer and seller. Incidental or supplementary activities. Merchandise functions. Auxiliary functions. Sales functions.

CHAPTER II

THREE CLASSES OF MARKETING 19

Marketing cycles complete between changes in form of goods. Three classes of merchandise according to type of consumption. (*A*) Goods for manufacture.

PAGE

(*B*) Equipment. (*C*) Goods for retail consumption. Some characteristics of the marketing task for each of these three classes. A schematic outline of the field of marketing by types of marketing and classes of merchandise.

CHAPTER III

SOME TYPES OF MERCHANDISE DISTRIBUTERS . . . 29

The functions of marketing not the basis for organization of the marketing mechanism. Lack of sharp definition of the functions of various types of mechanism. Retailers. Other distributers.

CHAPTER IV

MARKETING FUNCTIONS AND FUNCTIONARIES . . . 40

Characteristic features of modern production and consumption. The necessity for proper balance between these and the marketing processes. Some of the more conspicuous marketing devices, in classes A, B, and C, respectively. State of instability in each. Six points of general applicability.

CHAPTER V

THE ASSEMBLING FUNCTION 57

The process of adjusting inequalities between production and consumption with respect to quantity. The middleman in business. The assembling of diverse kinds of merchandise. An eighteenth century fair as an assembling device. Modern devices for accomplishing similar results.

CHAPTER VI

THE GRADING FUNCTION 73

Adjustments between production and consumption

PAGE

with respect to quality. Increased commercial value of graded commodities. The value and cost of grading.

CHAPTER VII

THE STORING FUNCTION 82

Adjustments between production and consumption with respect to time. The place of cold storage in handling of perishable goods. Storage facilities. Incidental features of storage. The evils of storage are not inherent in the process.

CHAPTER VIII

THE TRANSPORTING FUNCTION 91

Adjustments between production and consumption with respect to place. Value of function varies greatly with nature of product and conditions of production and consumption. The distribution of population as a factor in the marketing of merchandise. Wm. H. Ingersoll's statement of the problem.

CHAPTER IX

FINANCING MERCANTILE TRANSACTIONS 103

Goods in process of marketing as security for loans. Financing the cotton crop as a case in point. Bonded warehouses employed to increase availability of commodities as basis for loans. How wheat purchases are financed. Borrowing money on perishable goods in storage.

CHAPTER X

THE ASSUMPTION OF RISKS 117

Physical and commercial risks. Insurance a functionalized assumption of risks. Future trading as a device for distributing risks. How a cotton mill can

PAGE

hedge to avoid speculative losses in raw material. Effect of future trading upon spot prices.

CHAPTER XI

SALES FUNCTIONS — EQUIPMENT 126

Sales functions most conspicuous in merchandise of class C. Elaboration of equipment a costly means of competition. How one chain store concern attacked the problem. What different classes of consumers call for. An experiment in making a direct charge for fancy equipment. Over-equipment as a problem in retail trade.

CHAPTER XII

SALES FUNCTIONS — PERSONNEL 135

Personnel factors are of greatest importance in the sale of merchandise for individual consumption. The personnel problem of large-scale and small-scale retail establishments. How one concern increased the sales efficiency of its staff. Mercantile bearing of personnel problems. How one system of training is operated. Three types of effort to improve personnel.

CHAPTER XIII

SALES FUNCTIONS — RELATIONS WITH THE PUBLIC . . 142

The advantages of personal contact by the small retailer. The devices adopted by large retailers. The burden of cost for extraneous services. The dangers of encouraging careless habits of buying on the part of the general public. How one concern attacked the problem of reducing "services." The plans of the Commercial Economy Board. Coöperative delivery systems. Advertising as a feature of the retailer's relations with the public. The general trend of development.

CHAPTER XIV

PAGE

SALES UNDER BRAND 149

Indirect contacts between producers and consumers set up by advertising. Some of the effects of branding on the problems of merchandise distribution. How large-scale retailing stimulates brand competition. Effect on retailers, wholesalers, and producers. Lack of coincidence between market covered by a brand and the producing capacity of the brand advertiser. The necessity for accurate balance between production and sales efficiency. The case of the canning industry. Brand advertising by a wholesale hardware concern. Other cases in point. The advertiser's obligations with respect to merchandise and distribution facilities. Responsibilities of the developer of a brand.

CHAPTER XV

THE ELIMINATION OF DISTRIBUTERS 165

Blind attempts to eliminate middlemen have not yielded satisfactory results. Direct buying and the elimination of the jobber. The jobber in the dry goods trade. The United Drug Company. Wholesale grocery houses operated by retailers. The manufacturing activities of a department store. Coöperative stores operated by consumers. Some comments on the comparative success of coöperative stores in the United States and Europe. The persistence of the functions of distribution.

CHAPTER XVI

THE SIMPLIFICATION OF FUNCTIONS 190

Some changes in distributing functions due to conditions of production and consumption. The lack of permanence in the mechanism of distribution. A

PAGE

plan for distributing groceries based on the requirements of one class of consumers. The tardiness in the adaptation of functionaries to changes in the distributing task. Mere curtailment of costly services in the interests of the distributer's profits is not a solution. How a department store attempted to educate the public and failed in the effort. "Basement" stores a more promising experiment. "Economy" stores. The starting point for working out a "solution" of the problem.

CHAPTER XVII

THE COMPONENTS OF A RETAIL PRICE 204

What distributing functions are indispensable in any given case? The costs of distribution obviously are high. The reduction of them is not a simple matter. Reduction by economies of operation. Reduction by the elimination of functions. What the final consumer pays for in the way of merchandise and services. The importance of the rate of "turnover." No general solution is possible. The necessity for disregarding costly traditions.

CHAPTER XVIII

THE COSTS OF DISTRIBUTION 217

The distributing processes are costly and must be paid for. Improvement already started. A summary of noteworthy efforts to reduce the total cost. Need for more accurate adjustment of the mechanism to the distributing process under present conditions. Simple and uniform types of distribution not likely to develop. Necessity for viewing the problems of distribution from the functional side.

APPENDIX 225

INDEX 235

THE ELEMENTS OF MARKETING

THE ELEMENTS OF MARKETING

INTRODUCTION

THERE is no really good single word for designating the process of distributing merchandise under what may be termed modern conditions. The simple process of barter or sale is only one factor in the process of distributing merchandise made under conditions of large-scale production and consumed in concentrated markets. Neither of the terms "selling" or "buying," therefore, describes fully what takes place. The term "merchandise distribution" is complicated and unwieldy and is open to the additional objection that only in so far as part of the process is concerned is it accurately descriptive except by extension much beyond its accepted meaning. Of the many terms tested for use in this connection each seems open to some objection.

The term "marketing," like the others, is not wholly satisfactory. It certainly is capable of too close restriction in its use. It has also the unfortunate connotation given it by its use in connection with the process of provisioning a household. For want of a better term, however, and in the hope that this one (which, after all, is capable of justifiable expansion to fit the case) may be made, eventually, to take on the larger dignity of its expanded use, it is employed in this book. The term as used is designed to cover the complex group of

services involved in the distribution of merchandise from producer to consumer, excluding only those functions which involve alterations in the form of the commodity. These latter must be regarded as of a different nature and therefore must be treated as manufacturing or production processes.

Marketing, even under the most complex of modern conditions, may still be carried on in the simple form of barter, or of simple and direct passage of goods between original producer and final consumer. Indeed, a surprising amount of business still is conducted in this way. Cabinet-making, custom shoe-making, tailoring, in fact all of those distributing operations which call for the rendering of a personal service in substantial amount in addition to the actual transfer of ownership of merchandise, serve to illustrate the persistence of this simple form of direct marketing. It is not accurate to say that direct sale is no longer important under modern conditions. But it is true that it is not the typical modern marketing method.

The conditions which have served to render complicated the task of distributing merchandise include practically all of the economic developments and many of the social changes involved in what are commonly referred to as modern conditions of life. Of these, perhaps the most conspicuous is large scale production. Goods produced in large quantities cannot be produced exactly in the quantities, and at the precise time in which they are to be consumed; nor is there the accurate adjustment which exists in the case of simpler transactions with regard to the quality of the goods produced. More-

over, the place of production may not at all coincide with the place of consumption. Thus, increase of the scale of production alone introduces maladjustments between producing and consuming conditions with regard to quantity, quality, time, and place, which it becomes part of the marketing problem to correct.

The spread of large-scale production, while one of the chief factors, does not stand alone among circumstances surrounding production as a cause of augmented perplexity of marketing problems. In fact, this phenomenon is itself a result of far-reaching changes lying back of it. For instance, the accumulation of adequate quantities of surplus capital, the increased accessibility of large quantities of raw materials, and the social conditions which have, in the main, supplied sufficient quantities of suitable labor, all have played their part in facilitating the development of large-scale production in its present form. Each of these has affected marketing problems, either directly, or through enlarged scale of production, or both.

The influences modifying the problems of marketing have not all arisen, however, from changes in conditions surrounding production. The conditions surrounding consumption have had quite as distinct an influence upon these problems and the mechanism which has been developed for their solution. For example, such social changes as the decline of illiteracy cannot be neglected in attempting to account for the distributing mechanism of the present day. It is safe to assume that the general intelligence of purchasers concerning goods is rising, and that relations between buyer and seller

will show resulting modifications. The growth of cities, the increased mobility of the population in the United States and elsewhere also suggest social changes which have had a direct effect upon the marketing system. Another change in conditions surrounding consumption is the general use of such devices as rapid transit systems. As long as the market for a retail store, to cite only one example, was confined to those people living within walking distance, and to a comparatively few others who lived beyond that radius, but still within driving distance, the size to which the store could develop was limited by that relatively small market. With the introduction of electric street railways and the establishment of a low fare covering a radius of several miles, the possible market of such a store was obviously increased and the limitations on the development of the size of the store were in a measure removed. Many such radical changes in the conditions of living of great masses of the population have come within a generation. They serve to indicate something of what has been in progress in recent years which may be grouped together as influences modifying the conditions of consumption.

While these new conditions surrounding production and consumption have been growing up, the facilities for marketing, and the conditions under which the marketing processes are carried on also have shown remarkable change. The most revolutionary changes are those due to the betterment of facilities for the transportation of goods. Another factor of great importance has been the availability of capital for dis-

tributing enterprises. This is a comparatively new development in the history of finance. A very marked effect on distribution during the last few years has followed also from the general upward trend of practically all the elements which go to make up the cost of distribution. This has made the devising of new forms of distributing organization an attractive field for adventure. The experiments undertaken have been generally of one of two forms. Either the effort has been aimed at increasing the scale of operation and thus in some measure decreasing the relative cost, or else it has been aimed at increasing the speed of sale, thus turning the capital oftener and making it possible to do business on a narrower margin of profit.

The increased complexity of modern marketing methods is not due to any change in the inherent nature of the elemental task of marketing, namely, effecting a change in the ownership of merchandise. It apparently arises partly from the addition of other supplementary tasks not necessary until recently, and partly from the development of more indirect forms for this task itself.

COLLATERAL READING

Alfred Marshall, Industry and Trade, Book I, Chapters II, VIII, and IX, and Appendix B.

P. T. Cherington, Advertising as a Business Force, Chapter V.

CHAPTER I

THE ELEMENTS OF MARKETING

THE essential task of any form of merchandise distribution (or marketing) is to effect a transfer of ownership of goods in exchange for what is considered to be an equivalent. Instances are numerous even in present-day commerce in which one single transfer of this kind represents the complete progress of merchandise from the producer to the consumer. The householder who wants a piece of furniture made to order goes to a cabinet-maker and with him agrees upon design, material, time of delivery, and price; all the conditions of sale are the subject of either expressed or implied agreement between the two, and all of the services incident to the transfer of ownership are of such a character that they are absorbed by either one party to the transaction or the other, while their cost disappears in the transfer price. Other illustrations of the same sort of selling process are to be found in custom tailoring, custom shoe-making, and in fact all those distributing operations which call for the rendering of a substantial amount of personal service in addition to effecting the actual change of ownership of the merchandise. The element of personal service, it should be made clear, is not an essential factor in keeping those transactions simple and direct, but it illustrates the type of influences which keep these direct forms of marketing alive.

In many cases of the sale of equipment or of materials for manufacturers direct sale exists on a large scale, although it is frequently modified by contracts or agreements providing for the assignment between the two parties of such risks or other causes of expense as might not without special arrangement be equitably covered by the selling price. Again, in the case of an appreciable portion of the sales of garden truck, direct sale from the producer to the consumer is employed, although in this case it is not uncommon to find the selling centralized at public markets, and many of the conditions of sale controlled by market regulations instead of by individual agreement.

The marketing problems involved in the simplest form of direct transactions are elementary. Goods are sold as they are produced. The marketing functions include few if any activities beyond those concerned with the fundamental task of effecting a change of ownership. The corresponding mechanism is simple; functional distributers either do not exist or are unimportant. This form of marketing needs no discussion to supplement the bare statement of the economic rudiments involved. In discussing these simpler forms of sale, generalizations are easy and safe; the principles involved are fairly plain; and the price-making factors and the elements of marketing cost present no troublesome variations.

For the more complex forms of sale, however, where the producer and the consumer do not actually meet, the marketing task of effecting a change in ownership, while it still exists, no longer constitutes the single neces-

sary feature of the marketing process. Economic discussions frequently dismiss such sales as being in no essential point different from the simple forms of direct sale. It is one of the purposes of this discussion to show that while these more elaborate forms of selling merchandise do provide for the performance of the elementary task of effecting a change in ownership of merchandise, they provide for its performance in a form substantially modified from that in which it occurs in elementary transactions; and they provide also for the performance of other activities so closely related to this fundamental task as to be in many instances inseparable from it. Most of these additional activities are not to be found at all in the case of direct transactions; nor is there any uniformity as to the number of them to be found in the case of different types of merchandise sold through a distributing mechanism. Some of these additional activities are directly concerned with the merchandise itself; while others are of the nature of specialized services intimately associated with the transfer of ownership, although perhaps not essentially a part of it. The assumption of risks, the financing of transactions in process of completion are concrete illustrations of the types of activities referred to.

This more elaborate type of marketing will at once be recognized as not only prevailing more widely than the simpler form of direct contact between producer and consumer, but also as being more typical of modern conditions. With the factory system so large an element in production, and with the urban concentration of markets the most conspicuous feature of consumption,

it is clear that the old type of contact is rendered difficult in many cases. These two characteristic developments of society during the past century would alone account for the large degree of elimination of the old contact between consumer and producer and the development of a marketing mechanism as an apparently necessary step between this type of production and this type of consumption.

With the acceptance of the idea that the essential task of marketing is the effecting of a change of ownership in exchange for an equivalent, it is evident that the essential activity of the whole marketing process is to bring a buyer and a seller together in a trading mood. This essential activity is common to both direct and indirect types of marketing. With the recognition of the obvious fact that under modern conditions other tasks are added to this, it becomes necessary at the outset of this discussion to determine clearly the nature of those features of the marketing process thus made necessary in addition to and as supplementary factors in the actual purchase and sale of the goods.

For purposes of discussion, it may be assumed safely that if the buyer and seller are brought together in an effective trading mood, an actual transfer of the ownership of the merchandise will be effected; at least the goods will have been marketed. The establishment of this contact may thus be set up as the indispensable activity of the marketing process, and all the other activities, whatever they may be, may be grouped together as supplementary to this. At the outset, upon

assuming modern conditions of production and consumption, it becomes clear that the actual process of bringing the buyer and seller together in a trading mood is not always effected in the same way, and some recognition of characteristic types is necessary. There may be actual *direct contact*, obviously, in which the two come together and discuss terms in person. A second form of contact which is far more common, however, is that in which the buyer and the seller effect their exchange with each other as principals, but do it more or less completely with the help of others serving as agents, or intermediaries for them. This might be termed *indirect contact*. In addition to these two forms of contact, there is a third type of relationship between the buyer and the seller brought into contact in a trading mood which is less simple in form. For purposes of discussion, this may be termed *artificial contact* between buyer and seller, and the term is used to cover most of those types of pre-disposition to buy which are the result of properly conducted modern advertising. In numerous instances, consumers find themselves favorably disposed toward an article and its producer, although they may never have used the article and may never have had any dealings with its maker. Their favorable opinion would, upon analysis, be found to be due wholly to what they have seen or read about it in pictured or written advertisements. They have been in artificial contact with the producer.

The relative cost and effectiveness of these three methods of bringing the buyer and seller into contact varies widely with conditions. The most direct form

of contact is by no means either the cheapest or the most satisfactory, nor, on the other hand, are the artificial contacts established by means of advertising necessarily costly. A good illustration of this point is to be found in the case of the Kentucky Wagon Company, which, in January, 1911, announced that it planned to adopt a mail order system of distribution, selling its wagons directly to the farmers. The company had two good trade marks widely known, and the company believed that by the establishment of direct contacts with the users of the wagons it could reduce the cost of distribution and divide between itself and the customers the saving thus made. In April of the same year it was announced that three months of trial had demonstrated the fact that direct distribution was actually more costly than sale through the regular channels, in addition to being much less effective. It was declared at that time that the differences between carload and less-than-carload freight rates in many instances was greater than the pro-rated cost of delivery through the dealers.

In cases where the scale of production is larger than the consuming capacity of the immediately adjacent market, the relative value of direct as compared with indirect contact between the producer and consumer is likely to be small, if it does not disappear altogether. Similarly, if the unit of consumption is small, and the consuming markets are widely scattered, any possibility of advantage in direct contact between producer and consumer disappears altogether, and such contact is likely to be both difficult and costly.

The fact that under these circumstances the relationships between producer and consumer are indirect is frequently allowed to obscure the fact that this contact is real. The activities of the producer and his interest in and responsibility for the goods do not cease until the merchandise disappears from commerce in its existing form. The character of this interest has been a ground of dispute, and the legal decisions in connection with many such matters as resale price maintenance leave numerous aspects of the question still open. It is clear, however, that both as a matter of good business practice as well as a matter of law the interest of the original seller in the goods does not terminate until their final sale in their existing form if goods are in any way designated as having been made by him. If the goods are imperfect, his own interests, quite aside from any legal obligations, dictate the wisdom of correcting the defect. On the other hand, if the merchandise is good and the customer takes kindly to it, the good will created by the sum of numerous favorable impressions constitutes one of the producer's most highly valued assets.

One other point in connection with these three types of contact between seller and buyer which is worth particular note is the way in which artificial contacts, set up as the result of hearsay, or at least as the result of causes other than actual satisfaction in the use of the commodity, frequently facilitate the distributing process and thus partially or wholly offset, by means of reduction in other selling costs, the outlay put forth in their establishment.

This conception of the underlying task of marketing as being the establishment of a contact which may be of any one of several types may be somewhat difficult to follow in certain isolated cases; but if it is once accepted it greatly simplifies the task of arriving at a firm basis for discussing the problem of merchandise distribution, as distinct from the problems of production and consumption. To regard as a unit the contact established between changes in the form of merchandise unmistakably leaves the statement of these problems simpler and in nearer correspondence with actual conditions than does the conception of each step or each transfer of ownership without a change in form as being a separate marketing process. With this conception, moreover, it is possible to hold rigidly to the idea that between successive changes in form or of identity the processes of marketing present sufficient points of similarity and unlikeness to make it possible to reason about them with safety, and in comparatively simple terms. This conception makes it plain, for example, that between such changes in identity it is the one underlying fundamental task to effect a change in ownership of merchandise for what is considered to be an equivalent, this being effected by bringing together buyer and seller in a trading mood.

With this underlying task thus simply stated, it is possible to turn to an examination of those incidental or supplementary activities, which accompany this process under modern conditions of production and consumption. These, upon examination, are found to be capable of being gathered into three distinct groups:

1. Merchandise Functions.
2. Auxiliary Functions.
3. Sales Functions.

(1) *Merchandise Functions.* With the typical conditions prevailing in the field of production, or consumption, or both, there arise, as has been said, four types of maladjustments which require correction by some part of the marketing mechanism. These maladjustments are (1) those between the quantity of merchandise produced and that sought for consumption; (2) those between the quality of merchandise produced and the various grades sought for consumption; (3) those between the time of production and the time of consumption; and (4) those between the place of production and the place of consumption.

Corresponding with each of these, there have grown up four recognized marketing functions which occur commonly in marketing systems. There is, first of all, the function of assembling, or its converse, the disbursing of merchandise, which is designed to adjust the lack of balance which occurs in regard to the quantity of merchandise offered for sale and sought for purchase. Similarly, the function of grading and classing merchandise has grown up to take care of the maladjustments in quality; storage functions have been developed to regulate the time of production and consumption, and the transporting or moving functions correct the maladjustments which have to do with location.

In a large measure, each of these has become more or less specialized, but each is so intimately connected with

the actual marketing of the merchandise itself, that by grouping them together there is a recognizable community of nature. Each manifestly has to do with the condition in which the merchandise arrives at the market where it is to be sold and bought, and therefore there is ample justification for classifying them together as the "merchandise functions."

(2) *Auxiliary Functions.* In addition to the functions which have to do with the actual condition of the merchandise itself, there is the second group here designated as the auxiliary functions, which are common and, in many lines of marketing, quite indispensable. These include financing of merchandise, with the corresponding banking service employed more and more freely as a necessary part of the marketing machinery; also the assumption of risk, which usually is either in the form of insurance or in the form of future trading. These functions manifestly have a very intimate association with the marketing operation; but since they do not have to do with the actual condition of the merchandise itself, it seems desirable to discuss them separately, and for purposes of convenience in classification, the term "auxiliary functions" will be applied to them.

(3) *Sales Functions.* The third group of functions, having to do with the conditions under which the sale is conducted, shows a wide variation in importance, according to the character of the sale and the nature of the final consumption. In the case of certain types of goods, the sale of merchandise is almost inseparably associated with the rendering of certain manual or professional

services. Millinery, plumbers' supplies, and some forms of equipment may be cited as illustrations. Certain other goods call for expert knowledge on the part of the seller. Placing this knowledge at the disposal of the buyer amounts to a service rendered for the buyer, or a special marketing function performed. A case in point would be the knowledge expected of a merchant in diamonds or, for most customers, oriental rugs. The sale of machinery also frequently involves specialized knowledge or service, or both, on the part of the seller. All retailing, except that of the most simple direct type, might well be considered as being made up chiefly of the performance of functions of this kind. For the proper conduct of a retail store a location which is convenient to customers is necessary. This entails a relatively large expense for rent. A suitable sales force must be provided at large expense for sales wages. The preservation of the goods against deterioration, the providing of attractive appearance for the store, credit facilities for numerous customers, and delivery are among the other services of kindred nature. These are not inherently a part of the actual transfer of merchandise. They are, rather, concerned with the conditions under which the sale is made.

Indeed, a large share of the expense involved in the case of a retail establishment is in the nature of outlay made for the purpose of obtaining what custom has established as a suitable sales environment, under which retail transactions can be carried on. Similarly, a substantial part of the office expense and at least a portion of the customary sales expense in the

case of articles for manufacture, or for use as equipment, cannot with accuracy be regarded as having to do either with the condition of the merchandise sold or the auxiliary functions involved in the sale; nor have they to do, strictly speaking, with the main task of bringing the buyer and seller together in a trading mood. For want of a better term this group of functions will be designated as "sales functions."

In summary, the elements of marketing under modern conditions may be said to embrace two recognizable groups of activities, one of which is elemental and is in all essential respects identical with the central task of merchandise transfer under all conditions, even the most simple, while the other, or supplementary group, embraces separate types of functions which may be regarded as the direct result of modern conditions of production and consumption.

In undertaking to trace the existence of these functions in modern business independently of the functionaries which have grown up for their performance it early becomes evident that the emphasis upon these various functions in the several groups varies enormously. It is clear also that this variation coincides less accurately with variations in the nature of goods than it does with the character of the uses to which they are to be put. It will be the purpose of the following chapter to indicate a method of classification of marketing, which, combined with the foregoing summary of marketing functions, will make it possible to subdivide the field. This subdivision it is believed will make more detailed discussion far more accurate than

if it were based on sweeping generalities applied to the whole field of marketing.

COLLATERAL READING

P. T. Cherington, Advertising as a Business Force, Chapters I and II.

P. T. Cherington, First Advertising Book, 1916, Chapter I.

QUESTIONS AND PROBLEMS

1. List the forms of direct sale from producer to consumer to be found ordinarily in any country village community, and in any city or town, respectively.

2. What are the common characteristics of the merchandise thus sold; of the conditions under which the sale is made; of the producing vendor with respect to his capital resources and his scale of operations?

3. List in a similar manner the common forms of indirect sale.

4. Indicate the characteristics of the various distributers with respect to the items covered in Question 2.

CHAPTER II

THREE CLASSES OF MARKETING

By adhering to the conception that marketing cycles are complete between changes in the form or nature of goods the freedom of choice in the basis for classifying marketing phenomena is greatly restricted. Classification by commodities, treating the entire progress from original production to final consumption is by this conception made possible. For example, in the case of cotton, the marketing phenomena in the case of raw cotton are thus set aside from those concerned with cotton yarn, cotton cloth, or garments made from cotton cloth. Moreover, in the case of any particular one of these steps it is manifest that there must be subdivision. Cotton cloth sold over the counter to the individual consumer is not handled on a basis identical with perhaps the same cloth sold in 100-piece lots to a shirt-waist manufacturer. It is possible also that there are recognizable differences between the marketing task in either of these cases and the case of the sale of the same cloth to be used in connection with the permanent decoration of a building or, say, as part of stage scenery.

One method of division which is capable of defense, on the ground that it recognizes those factors in the problem out of which grow distinctions both as to func-

tions and functionaries, is a division based on the character of the final sale. On this basis, one class of merchandise which seems to have common characteristics is raw material, or, more strictly, material whose disappearance from commerce takes the form of sale to a manufacturer for change into some other form of goods. The distribution of this type of merchandise under the factory system throws into the foreground an entirely different group of problems from those involved in the sale, for example, of merchandise for retail. The preservation of uniformity in quality in successive purchases, the ability to renew purchases as desired, and the guarantee of such continuity of supply as may be necessary are the types of problem characteristic of the distribution of this sort of merchandise which disappears from trade in the production of some other commodity. The price to be paid for articles of this class depends less on their "utility" than on the price which may be charged for the goods to be made from them.

A second class of merchandise, which has some points in common with this, but enough points of difference to justify separate classification, is found in the case of such materials as still remain in existence and use as part of productive equipment after they disappear from commerce. Merchandise of this type disappears from trade. It has its marketing problems to a large extent shaped by the fact that there is a definite relation between the prices paid for it and the uses made of it. Building materials, machinery, railway equipment and supplies, and kindred articles apparently offer enough variations from the marketing conditions in the case of

either articles for retail consumption or those for remanufacture to justify recognizing them as a separate class.

The class of merchandise which offers the most complicated marketing problems, however, is that type of goods which disappears from commerce to go into individual consumption, or into household use. The distribution of goods of this type clearly involves certain marketing functions which are not equally important in the final sale of other types of merchandise. The retail functionary and the whole group of retailing services are conspicuous features of the distributing task in this group. The division of the product into small quantities and the movement of it to points easy of access to the final consumer take up a large part of the energy and involve a large share of the cost in the distribution of this sort of goods. Neither of these problems is a serious factor in the handling of the goods not consumed in small units. "Utility" is one of the chief price-making factors in merchandise of this class.

Having once recognized such a classification of merchandise, it becomes necessary to examine the prevailing types of marketing functions in various industries and trades to determine their general nature and contrasting features in the light of this classification. A marketing transaction in the case of merchandise sold to be remanufactured is ordinarily conducted on a relatively large scale. Moreover, it is necessarily only one of a number of kindred transactions by which the supply of material is kept up. For example, if a blast furnace

company buys iron ore, it presumably will buy it in quantities which under modern blast furnace practice will be relatively large, and it is also a safe assumption that it will buy iron ore more or less continuously as long as the blast furnace remains in operation. The large scale and the continuity of this sort of transaction is a common characteristic of purchases of merchandise for manufacture or remanufacture. The most common device to be found in this field of marketing is the contract (frequently of a renewable character) which has practically all of the terms and conditions standardized, leaving only the price and the conditions of delivery to be determined. In the case of mineral products not yet mined, it is not uncommon for this type of contract to take the form of an agreement on a lease and royalty basis under which frequently the purchaser of the ore becomes either virtually or actually the operator of the mine. In this class of marketing transaction, the relation between the producer and consumer is intimate as well as continuous, and the connections thus formed may become an important part of the resources of the concern doing the purchasing. The ore contracts of the United States Steel Corporation are a case in point. If one were seeking for the underlying cause of a substantial part of the movement toward the integration or common ownership of successive steps in manufacturing industries in this country in recent years, he could find it in many cases in some of these typical contract relations. In other words, the nature of some of the devices adopted for the solution of this type of marketing problem is a powerful influence leading the

producer and consumer together under common financial control, commonly called "integration."

There is observable a very different general kind of marketing transaction in the sale of merchandise for the equipment of various enterprises both large and small. In the case of the larger types, such as the sale of railroad material and equipment, many kinds of machinery, and other kindred commodities, the transactions are on such a large scale as to affect materially relations of a financial nature between buyer and seller. A common solution in the case of marketing enterprises of this kind, as well as in the case of many articles for remanufacture, is the use of a contract by means of which all adjustments of the problems of quantity, quality, time, and place are stipulated in the agreement. This form of sale and the resulting relations between the buyer and seller, based as they are upon a divergence between the nature of the business of one party to the transaction and that of the other, has caused frequently the setting up of what are known as "interlocking directorates" as distinct from the actual integration of ownership of both the buying and selling concerns. In this way a continuance of friendly relations is assured while organic separation is maintained. In transactions of this class, purchases typically are less frequent than in the case of merchandise for manufacture, and the incentives to actual interownership between buyer and seller are less effective; although there are ample reasons for making sure that when either buyer or seller comes into the market, he can resume connections on a satisfactory basis. By having an appreci-

able number of the same people sitting in the controlling boards of both buyer and seller this can be effectively guaranteed.

Marketing of the remaining, and most conspicuous, class covers the sales of merchandise for individual or household use, and therefore includes the greater part of business terminating in a retail sale. In this class of marketing, in addition to the elementary problems common to both of the other classes, the process of distribution necessarily involves a large amount of emphasis on what have been referred to as the sales functions. The most conspicuous feature of the sales undertakings of this type is the comparatively small size of the sales unit in which the merchandise is disposed of in the final transaction. If there is a series of wholesale dealings leading up to this final transaction, each of these in a large measure takes its character from the fact that eventually the goods are to be offered to the consuming public in finely divided units. For merchandise of this kind there is inevitably some point in the course of the progress of the goods from producer to consumer up to which it is desirable to handle the goods in large quantities and beyond which it becomes advisable constantly to decrease the quantities in which the merchandise is moved through succeeding marketing steps. In the case of this class of merchandise another factor of great importance is the individual nature of the final sale. In such a sale there is an element of special selection or choice; hence, the physical conditions under which the sale is made become a conspicuous feature of this final transaction.

With these general statements concerning the nature of the essential functions of marketing and the degree of emphasis placed on these in the case of three clearly recognizable classes of merchandise it is possible to set down in schedule form a general summary which will serve to make clear the relationship between some of the principal points which have been made thus far:

THE FIELD OF MARKETING

I. Direct Marketing.
  A. Elementary Activity.
    1. Bringing together buyer and seller in a trading mood.
    2. Contact always direct.
      (*a*) Actual contact.
      (*b*) Artificial contact — as by advertising.
  B. Supplementary Activities: matters of direct agreement between buyer and seller.

II. Indirect Marketing: marketing through a mechanism.
  Class A. — Merchandise for Manufacture.
    A. Elementary Activity.
      1. Bringing together buyer and seller in a trading mood.
      2. Contact effected with aid of only one or two intermediaries, usually brokers or merchants.
        (*a*) Actual contact.
        (*b*) Artificial contact.
        (*c*) Indirect contact.
    B. Supplementary Activities.
      1. Merchandise Functions.
        (*a*) Assembling.
        (*b*) Grading.
        (*c*) Storing.
        (*d*) Moving.

2. Auxiliary Functions.
   (*a*) Banking.
   (*b*) Assumption of risk.
      (1) Insurance.
      (2) Trading in futures.
3. Sales Functions.
   (*a*) Sales usually effected by continuing arrangement or contract.
   (*b*) Tendency toward integration.

Class B. — Merchandise for Equipment or for Large Scale Consumption.

A. Elementary Activity.
   1. Bringing together buyer and seller in a trading mood.
   2. Contact effected by such intermediaries as brokers, supply houses, or wholesalers.
      (*a*) Actual contact.
      (*b*) Artificial contact.
      (*c*) Indirect contact.

B. Supplementary Activities.
   1. Merchandise Functions.
      (*a*) Assembling.
      (*b*) Grading.
      (*c*) Storing.
      (*d*) Moving.
   2. Auxiliary Functions.
      (*a*) Banking.
      (*b*) Assumption of risk.
         (1) Insurance.
         (2) Trading in futures.
   3. Sales Functions.
      (*a*) Expert knowledge on part of seller.
      (*b*) Manual or professional services sometimes necessary. Sales are usually by:
         (1) Contract or special agreement.
         (2) Occasionally by lease.
      (*c*) Interlocking directorates common.

Class C. — Merchandise for Individual or Household Consumption.

A. Elementary Activity.
   1. Bringing together buyer and seller in a trading mood.
   2. Contact completed only after several steps; two common types are:
      (1) Wholesaling and retailing.
      (2) Subdivisions of wholesaling steps.
         (*a*) Actual contact.
         (*b*) Artificial contact.
         (*c*) Indirect contact.

B. Supplementary Activities.
   1. Merchandise functions.
      (*a*) Assembling.
      (*b*) Grading.
      (*c*) Storing.
      (*d*) Moving.
   2. Auxiliary Functions.
      (*a*) Banking and credit.
      (*b*) Assumption of risk.
         (1) Small amount of trade in futures.
   3. Sales Functions.
      (*a*) Equipment of sales place.
      (*b*) Personnel of selling force.
      (*c*) Relations with public.
      (*d*) Sales to the consumer by individual transaction in small lots.

Like any schematic presentation of so complicated a matter this schedule is defective. Yet it does serve to make clear some general relations. Without more detailed discussion of the interrelation between the various marketing functions, as well as of the nature of the marketing mechanism which has been developed for the performance of these functions, many features of this

scheme of presentation must remain obscure. But in any case it is a tangible basis for subdivision of the field and a classification of functions in which, at least, the parts do not overlap.

COLLATERAL READING

P. T. Cherington, The Wool Industry, Chapters IV, VI, and X.
P. T. Dondlinger, The Book of Wheat, Chapter XIII.
C. R. Van Hise, Concentration and Control, Chapter II.
M. T. Copeland, Cotton Manufacturing in the United States, Chapters X and XXI.

QUESTIONS AND PROBLEMS

1. Illustrate each of the main divisions of the outline of "The Field of Marketing" with examples of commodities.

2. What conditions are most favorable to the integration of successive processes in production and distribution in any industry? Compare iron and steel in this respect with either lumber, coal, grain, wool, or cotton.

CHAPTER III

SOME TYPES OF MERCHANDISE DISTRIBUTERS

THE functions and activities of the marketing system described in the preceding chapter are not the basis for the organization of the mechanism for their performance. The mechanism, in the main, has grown up as a result of influences quite aside from the specialized performance of the marketing tasks. Typical forms of distributing functionary exist, to be sure, but these types lack sharpness of definition largely because the functions each performs are more or less composite.

The broker is perhaps simplest of all the forms of marketing functionary. His task is mainly that of bringing buyer and seller into contact. He is one of the few forms to be found both in marketing of the direct type and also in that of the type in which the processes are specialized. But even the broker is not always content with being a mere broker. His work may be combined with the tasks of a commission house, or he may even buy and sell merchandise on his own account.

As one proceeds through the successive steps in the merchandise-distributing system from producer to consumer the distributing services rendered by the forms of distributer which have been developed grow increasingly complicated and the relationship between forms of organization and functions less well defined. Commission houses, for example, not only perform

many different kinds of marketing tasks, but they show wide variations in form and functions between individual concerns. Agencies, wholesalers, and jobbers also lack standardization. Indeed, the terms themselves are used with various meanings even in a single trade, and the definite classification of specific houses is possible in relatively few instances. Even the term "retailer" is of variable meaning, although this type of distributer is the most common of all. Prolonged disputes, in trade circles and at law, have been engaged in over the question as to the proper classification of a house which does a retail business while it also sells to retailers merchandise to be resold. Even more difficult is the question of classifying a retail house which buys its stock from its own wholesale department, separately organized and operated. Again, in the subdivisions of the retail business, terms designating forms of retail establishment are not clearly defined. The department store is not easy to define so as to exclude country general stores, on the one hand, and specialty stores carrying diverse lines, on the other. Nor is the line of demarcation clear between a chain-store concern and a store with branches, or a group of retail stores having a coöperative connection with a wholesale or manufacturing concern, as in the case of the United Drug Company.

In short, the marketing functions cannot be found directly reflected in corresponding organizations. Nor are they easy to keep clearly and simply stated when they are traced through the successive steps of the established mechanism for their performance.

Diagrammatically the successive commercial steps in the movement of a commodity from producer to consumer when it passes through a manufacturing stage may be represented as follows:

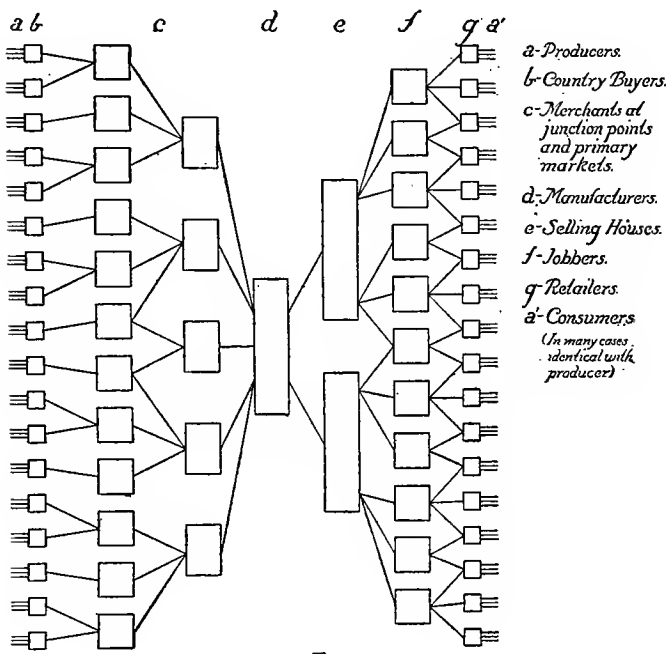


FIG. 1

Such a diagram can be merely suggestive. Its shortcomings are many. In the first place many of the producers are the consumers of the finished product, so that sections *a* and *a'* really should join. Again, the relative number of first buyers, *b*, and of retailers, *g*, should be enormously increased so as really to reflect

the assembling and disbursive operations with some degree of accuracy. Moreover, the number of middlemen stages represented by *c* in the case of raw material, and by *e* and *f* in the case of manufactured products, may be more numerous, and the relative numbers of customers should be much increased. And yet, notwithstanding these and other shortcomings, the diagram does make clear the idea of the complexity of marketing functions introduced by concentrated production of manufactured products, with its accompanying dependence on scattered sources of raw material.

This diagram merely shows the operation of the assembling function which is but one of the four merchandise functions in process of performance. Each of these separate functions will be discussed at length in subsequent chapters. But in that discussion this question of the functionaries and their place in the distributing process will make it necessary to have in mind some idea of the inter-relations between the parts of this mechanism.

Retailers

The census of 1910 shows that about 1.2 per cent of the people in the United States in that year were engaged in the various branches of retail business, the total number returned being 1,195,025. As there is no trade census, the stating in trustworthy figures of the size of the retail business, or even of any single branch of it, is impossible. But certain general relative ideas may be gained from the following figures taken from the census of 1910, supplemented by the number of concerns on

lists for sale by a house engaged in the sale of mailing-lists compiled from directories and similar sources:

Census 1910, Volume IV, Pages 220–22	Merchants, Managers, and Superintendents, Census 1910	Number of Concerns Listed by an Addressing Company
Agricultural implements and wagons	8,518	21,946
Art stores and artist material	2,370	—
Automobile dealers	4,597	16,947
Bicycles	1,532	—
Books	19,346	25,139
Butchers and meat dealers	124,048	14,600 [2]
Buyers and shippers of grain	11,535	—
Buyers and shippers of live stock	32,516	—
Buyers and shippers of other farm produce	6,864	—
Buyers and shippers (not specified)	896	—
Candy and confectionery	29,538	16,546 [1]
Cigars and tobacco	17,728	13,319 [1]
Carpets and rugs	1,238	—
Clothing and men's furnishings	35,273	46,477
Coal and wood	24,466	16,255 [3]
Coffee and tea	5,351	—
Crockery, glassware, and queensware	2,538	—
Curios, antiques, and novelties	2,735	—
Delicatessen stores	3,031	—
Department stores	8,970	—
Drugs and medicines	67,575	48,463
Dry goods, fancy, and notions	65,283	—
Five and ten cent stores and variety	4,331	—
Florists (dealers)	2,934	12,318
Flour and feed	9,469	34,451
Fruit	19,000	—
Furniture	22,209	24,131 [3]
Furs	2,280	—
Gas fixtures and electrical supplies	1,526	—
General stores	88,059	335,472 [2]
Groceries	195,432	
Hardware, stoves, and cutlery	39,663	45,627

[1] Rated over $1000. [2] Rated over $3000 [3] Rated over $5000.

Census 1910, Volume IV, Pages 220–22	Merchants, Managers, and Superintendents, Census 1910	Number of Concerns Listed by an Addressing Company
Harness and saddlery	7,541	—
Hucksters and peddlers	80,415	—
Ice	7,361	—
Jewelry	29,962	9,395
Junk	15,219	25,432
Leather and hides	2,475	—
Liquors and wine	17,736	33,301 [1]
Lumber	26,485	18,201 [2]
Mills	14,694	13,129
Music and musical instruments	5,222	14,677
Newsdealers	7,075	36,812
Oil, paint, and wallpaper	6,818	—
Optician	6,284	—
Produce and provisions	29,639	—
Rags	1,975	—
Rubber goods	493	—
Stationery	5,823	9,643
Timber	765	—
Other specified retail dealers	20,383	—
Not specified retail dealers	44,725	—

Viewed functionally, the retailers of various forms differ widely in many respects, but fundamentally they are all alike in the fact that, however they get their goods, they undertake to dispense them to individual consumers in the quantities, of the qualities, at the time, and in the place that suit the customers' habits or convenience. This they attempt to do under competitive conditions and hence at prices which tend to represent the sum of costs of the goods and of the services rendered, and the combined competitive profits of makers and distributers.

[1] Rated over $1000. [2] Rated over $5000.

In any given case of merchandise in process of distribution, each of these merchandise functions and each of the other essential ones may be rendered in one or in several steps, and they may all be performed by the prevailing types of functionary. In that case the retailer will be clearly designable as "regular." He does not attempt to eliminate any of the generally accepted services, nor does he attempt the use of any usual methods for reducing the costs of these. He leaves all the producing functions to producers, and all the wholesaling and jobbing functions, respectively, to the organizations customarily performing them. He does not even infringe on the services of the banker or the assumer of risks, and he renders with fidelity all the services called for by exacting customers. The regular retailer, as a matter of fact, performs more nearly a complete list of distributing functions than any other member of the distributing mechanism. When he is operating with full "regularity" he performs at least some parts of every one with respect to some portion of his stock, and in the case of some lines the combination of functions performed is complete.

Needless to say, in many lines of business, few absolutely purely and completely regular retailers still exist. Some eliminate services commonly rendered by their competitors. Others buy through unusual channels, thus making some saving. Others, again, attempt to sell their goods under brands which they themselves control. Others pool all or part of their activities with similar concerns, and to that extent operate as joint enterprises. Some, by virtue of mere volume of purchases, are able to

do all or most of their business on jobbing terms. Some release control, or even ownership, of their business to centralized concerns with large capital, while others attempt to do all or part of their selling by mail order. And in a few cases, even consumers themselves have combined their purchasing power and do retailing for their own benefit. From whatever cause or causes, the fact remains that few retailers still continue to buy everything from jobbers, and sell everything to household or individual consumers, thereby rendering identical services and performing standardized functions for their whole stock.

Such retailers as may still be classed as regular are thus seen to be in competition with various other forms of retailer, who are performing marketing functions which in some way differ from the complete, regularly performed complex services the cost of which is covered by the competitive retail price charged to the consumer. And each type of retailer who modifies the standard combination presumably gives to the consuming public only such portion of the savings effected by the modifications as competition by the regular trade and by other amenders of it makes necessary. The prices charged by the department stores, chain stores, mail order houses, manufacturers' or wholesalers' retail branches, or other so-called irregular retailers, do not reflect accurately the effect of the modified method upon the cost of distribution. Mail order prices (delivery costs and all other factors considered) frequently are not any lower than regular retailers' prices. Most department stores have a higher percentage cost of

doing business than their "regular" competitors, and many compete successfully with small stores in certain lines only because of more rapid turning of stocks. With all the modifications of the system, the general level of retail prices depends on those of goods distributed through the channels which have earned the title of "regular" because they are supposed to be made up of the types of concern organized for the performance of the marketing functions in an orderly and economical fashion.

Other Distributers

What has been said concerning the breaking up of established habits of retailers is in a large measure true also of wholesalers in merchandise of Class C. Brokers, commission houses, wholesalers, jobbers are continually re-combining the services they perform, or altering their methods of securing or disposing of stock. Wholesalers control or purchase factories; some even control or actually operate retail establishments. Others, recognizing the meaning of the changes in retail organization, have modified their services to suit the new conditions, as in the application of the drop-shipper idea to the supplying of certain dry goods lines to department stores of smaller size. Manufacturers, on the one hand, and retailers on the other, have also entered the wholesaler's field either with their own wholesale branches or with separate concerns which they control.

Conspicuous in this overlapping of fields is the use by each of these successive functionaries of direct appeals to

consumers, by means of advertising based on final purchase by brand. This further breaks up whatever correspondence ever did exist between the marketing functions and the organization of the marketing mechanism. The ultimate end of really successful brand exploitation is the integration of distribution. The retailer successfully advertising a brand sooner or later finds his only security of supply to be in the actual ownership of sources for his merchandise, even back to the factory. The manufacturer, in many cases, finds it impossible to get from the regular distributing system the attention he feels that his goods deserve when his brand becomes well known and the demand for the goods brisk. The wholesaler owning a brand also finds the forces of integration working, but in his case they operate both toward retailing and toward manufacturing.

It is by no means clear that the "regular" system of marketing is in all respects commendable or necessary. Indeed, it seems to be a prerequisite to any constructive reasoning about marketing to assume, and to adhere closely to, the position that no feature of the present mechanism is inviolate. It is hoped that the following discussion of marketing by functions instead of by the successive steps in the established mechanism will make it possible to discuss in somewhat clearer fashion the question whether the hope of advancement in marketing methods and the reduction of marketing costs lies in the elimination of distributers or in the modification of the essential functions for the performance of which these distributers have grown up.

COLLATERAL READING

P. H. Nystrom, Economics of Retailing, Chapters IV, V, XII, XIII, XIV, XVI, XVII, XVIII, and XX.
P. T. Cherington, The Wool Industry, Chapters IX, XV.
P. T. Cherington, Advertising as a Business Force, Chapters VI, VII, and VIII.
P. T. Cherington, First Advertising Book, 1916, Chapters VI, VII, and VIII.

QUESTIONS AND PROBLEMS

1. Define accurately the following:

A department store
A chain store system
A mail order retailer
A regular retailer

2. How many wholesale houses in each principal line are there in your community?

3. How many traveling salesmen (from out of town) for wholesale houses "make" your town in principal lines of trade in the course of a month? How long do they stay?

4. Do the merchants of the town buy more or less by mail and telephone order than they did five years ago?

5. Is mail order purchasing by consumers in your community increasing?

6. What are local merchants doing to combat mail order competition?

7. What percentage of the dry grocery sales of high-grade, medium, and low-grade merchants in your community are being made to persons actually coming to the store, as compared with telephone orders? Are these percentages increasing or decreasing?

CHAPTER IV

MARKETING FUNCTIONS AND FUNCTIONARIES

DIRECT sale from original producer to final consumer as distinct from sale through a commercial mechanism has previously been shown to exist still as an important feature of commerce. This type of sale has been made increasingly difficult and less satisfactory, however, by nearly all of the characteristic modern conditions of production and consumption. The elaboration of demand, in itself, constitutes a serious handicap on direct sale. For example, in the case of fresh foods, when demand is dependent entirely on the existence of a near-by supply of fresh foods, no commercial mechanism of any consequence is necessary. But when, by virtue of expanded transportation facilities, it becomes possible to offer fresh foods from a distance both before and after those locally produced are available, it is difficult to see how direct sale can be expected to handle all the business effectively.

Similarly, on the side of production, the development of large-scale operation has lessened the effectiveness of direct sale and increased the dependence on some form of commercial mechanism. More often than not, the volume of production which can be carried on most effectively in any given factory or other production unit is larger than can be sold economically by direct methods. Moreover, the minimizing of the restrictions

on the sale of a product formerly imposed by distance, due to the reduction in both relative and actual costs of transportation, has made the complete localization of markets for large-scale producing units as difficult as it is undesirable. The fact that a manufacturer of shirts in St. Louis can sell his product in Pittsburgh almost as cheaply as he can in St. Louis, and also as cheaply as a Pittsburgh manufacturer can sell them there, increases the incentive to market expansion. If there were no other advantage to be gained, expansion of the market certainly leaves the manufacturer better protected against local variations in demand than he would be if his product were all sold in his immediate vicinity. In addition to this protection, however, the widening of his reputation unmistakably adds to his good will, and the multiplying of his markets puts him in a safer position with respect to competition.

Before entering upon a detailed discussion of the mechanism which has grown up for the conduct of indirect sales, certain general facts concerning modern conditions of production and consumption seem to require restatement.

1. The factory system, or some kindred form of large-scale production, may be assumed to exist in most lines of production activity. There is, to be sure, a sacrifice of a large part of the personal element in both production and distribution of merchandise, but the compensating gain is an economy of the combined activities of production and consumption and, therefore, a substantially widened use of products.

2. The limits of the expansion of large-volume production in any given industry are not set by a lack of any of the essential elements of production. In most cases there is obtainable an

adequate supply of capital, labor, equipment, and power for the operation of a unit of almost any conceivable size.

3. Production enterprises are at liberty to work out their scale of operation on the basis of the most efficient or profitable scale of production, or the most efficient possible scale of distribution, or the most satisfactory combination between these two. The problems of most efficient production are essentially problems within the walls. The problem of securing the most efficient distribution is mainly a problem of adjustment to conditions outside the walls.

4. In few, if any, cases is it possible under modern conditions to solve a problem in merchandise distribution purely on economic grounds. Social influences, historical influences, physical influences, and, more especially, accepted customs enter to modify the application of economic principles in any specific case.

5. The economics of merchandise distribution is a field which is still largely neglected. Indeed it is extremely difficult to develop a restatement of economic principles based on a sharp line of distinction between production and consumption, which gives due consideration to the intricacies of merchandise distribution coming between production and consumption and partaking of the nature of each. For example, when wheat went to the mill and from the mill to the home for the making of bread, the problem was a comparatively simple one of relations between producer and consumer. Under modern circumstances, however, when the wheat may be sold to the local elevator company, and then to the terminal elevator company, and then to the grain department of a milling company, before it reaches the flour mill, the problem of dividing sharply between production and consumption is very much obscured. In the same way, the distinction is difficult to make with certainty in the case of the flour after milling. If the flour is sold to a jobber, then to a wholesale grocer, and a retailer in turn, and is finally bought by the consumer for home baking, certain generalizations about the relation between production, consumption, and distribution may be made safely; but if, on the other hand, the flour should go either from the mill direct or through a jobber to a baker for remanufacture into

bread, and from the baker to the retailer, and thence to the consumer, it raises a serious question whether the generalizations thus made still apply.

6. The costs of merchandise distribution through the mechanism now existing more often than not equal the cost of production even if they do not exceed it. Thus far, there has been no adequate basis for decision from an economic point of view as to which of the elements of cost in the distribution process are necessary, which are reducible, and which are capable of elimination.

7. The lack of an adequate body of scientific analysis of the phenomena of merchandise distribution probably is the chief cause of the general suspicion of the economist on the part of the business man, just as it is also the chief cause of the economist's lack of sympathy with the methods of the business man.

8. These statements lead us to the conclusion that any adequate presentation of economic principles as they occur in the problems of merchandise distribution must necessarily involve a consideration not so much of the forms of the mechanism as of the functions which these forms have grown up to execute. These forms must be regarded as merely the means for the performance of functions made necessary by the conditions of living and the equipment for living which modern inventions, such as steam and electricity, have made possible.

With these general statements in mind, it becomes clear that the future expansion of large-scale industry depends, to a large degree, not so much upon the inherent problems of production and consumption as upon the relation between these and also upon the relations of these with a complex group of phenomena of distribution. It is clear also that if the effects of this interdependence are to be accurately dealt with, they will necessitate a careful avoidance of confusion between the functions which characterize them and the functionaries which

have developed for the performance of these functions. For instance, the retailer, and indeed the whole mechanism for supplying merchandise for retail sale, is a device for performing certain recognizable functions. Again, the wholesaler and the equipment for the wholesaling process are forms devised for the execution of certain groups of services. The services in each case are essential and permanent so long as the conditions of production and consumption remain essentially unchanged. If the processes of distribution are to be adequately treated from a purely economic viewpoint and separated from such non-economic influences as mere habit or custom, it will be necessary constantly to get back of forms of distribution to the actual functions of distribution, for the performance of which they have been set up.

In the case of merchandise for remanufacture (class A) the transfer of ownership takes place for the purpose of making possible the production of some new form of merchandise. If, therefore, we recall the statement of the underlying task of marketing as being the transfer of ownership of merchandise in exchange for what is mutually regarded as an equivalent by both former owner and new owner, it is at once evident that the nature of the motives prompting the change is in this case essentially different from those in the case of merchandise for individual consumption (class C) where utility is mainly concerned with value in use. In many respects also the motives prompting the exchange are different from those prompting exchange in the case of merchandise of the equipment type (class B).

In the case of merchandise of class A, the main task of the distributing mechanism is the performance of the essential marketing functions in such a way as to meet not merely the uncertain desires of the consumer, but also the essential requirements for the production of other merchandise, which in turn may be sold at a profit. In the performance of this task, therefore, there is always present the problem of the relations between the price at which the merchandise in process of marketing may be delivered and the price at which it is likely to be possible to market profitably the product which is to be made from it. Into the problem of the relationship between these two prices there is almost invariably injected a large number of incidental complications, such as, for example, those which are due to the necessary lapse of time between the delivery of the raw material and the sale of the final product.

Largely because of this direct relationship between the product marketed for remanufacture and the product to be made from it, a very substantial amount of the marketing of class A, as has already been said, takes the form of direct sale either on periodic contracts, where all the conditions are arbitrary and may be renewed or modified from time to time, or on contracts awarded after competitive bidding, where all the terms of sale and delivery are fixed except the price, or as a result of individual negotiations and bargaining.

The marketing mechanism found conspicuously in the sale of merchandise of class A is relatively simple. Brokers who have some facility in bringing buyer and seller together, who have more than ordinary knowledge

of stocks and needs, or who have uncommon access to sources of or outlets for material are perhaps the most common type of device existing for facilitating the marketing functions in this class. In the case of gradable commodities, the sale of which upon exchanges or through future trading organizations is large, spot transactions through exchanges, in which all the terms except price, quantity, and delivery are standardized, also are common and might be designated as sales through mechanism.

In the case of merchandise of class A, the marketing functions have previously been described as including the four merchandise functions: assembling, grading, storing, and moving; the two auxiliary functions: financing, and the assumption of risk; and to a minor extent the functions concerned with the conditions under which the final transaction is conducted. The brief statement of the fundamental conditions of production and consumption, in the case of merchandise of this type, may serve to make clear some of the principal characteristics of the marketing functions involved. On the one hand, the producer of materials has his problems to a large extent shaped by the fact that in most instances the scale of production is smaller than the scale of consumption. On the other hand, he is confronted by the fact that the quality of the product is to a large extent beyond his control, while the consumer of his product (the manufacturer) is in most instances obliged to insist upon a large degree of uniformity and quality. The task before the producer of merchandise for manufacture, as it occurs in typical forms, may be summed up, therefore, as being of three principal parts:

1. To get from small-scale operation and from conditions beyond his control a supply of goods of salable qualities.
2. To put this merchandise into trade at the most profitable grading.
3. To secure for it the largest possible return.

In contrast with this task the manufacturing consumer of raw materials is confronted with the problem of selecting from the offerings of an uncertain producing system the exact sorts of raw materials he requires and purchasing these in the quantities necessary to keep his mill in operation without any undue accumulation of costs for storage. Moreover, he is obliged to make sure that such supplies of raw material as he may require shall be on hand promptly when required, and shall not accumulate when they are not needed. In other words, his problem is seen to be essentially the reconciliation of maladjustments between production and consumption with respect to quantity, quality, time, and place. The manufacturer's problem is also very greatly circumscribed by the fact that the motive prompting him to purchase has little to do with the actual utility of the goods, but is almost wholly concerned with the question whether having changed their form he can dispose of the products made from them at a profit.

If all the requirements of manufacturing consumers of any given line of merchandise could be pooled and all the supplies of raw material could be brought together and brought into contact with these pooled demands, there would still be variations in price from time to time or from season to season. But, on the whole, prices would accurately reflect the actual conditions surround-

ing production and consumption and the extent to which maladjustments between them were corrected. This condition, however, presupposes much more accurate and widespread knowledge of conditions than is generally available in any except perhaps a very few types of merchandise. It would also presuppose a much wider diffusion of skill in marketing and a much greater agility in meeting variable conditions than are commonly to be found now.

Instead of the perfected adjustment between production and consumption, thus suggested as ideal, both the producer and the consumer of merchandise of class A find it advantageous to try to modify both supply and demand, either by purely commercial methods or by physical manipulation, or both. Of the commercial type, perhaps the most important example is to be found in the case of speculating, trading, and particularly in attempts to corner or monopolize the available supply. The whole system of leases and royalties commonly found in the sale of minerals still in the earth is another attempt to accomplish the same end by commercial methods. On the physical side, both supply and demand are substantially modified by the uses made of actual restrictions on production, by grading, by warehousing, and by purchasing in quantity. After all the efforts to modify supply and demand have been exhausted, it usually becomes manifest that for practical purposes they neutralize each other, and that what is actually accomplished by these efforts is essentially the same as what is accomplished when the purpose of the whole mechanism is primarily the preser-

vation of conditions under which both supply and demand may have free expression.

The inherent properties of the commodities sold determine in a large measure the nature of the mechanism set up for permitting the influences of supply and demand to have free play. For example, the physical properties of wheat make it particularly favorable for handling through a highly organized system of storage and trading, which results in the entire supply being virtually in sight at all times, and which also causes most of the transactions taking place in it to be conducted on contract. Cotton, on the other hand, because of the lack of ease, from a physical point of view, with which it may be put into storage and taken from it, has developed an entirely different group of relations between the speculative trading, and spot trading. Similarly, such commodities as tobacco, sugar beets, and, to a certain extent, wool are incapable of accurate grading for future contract trading on a basis similar to that employed in the case of either wheat or cotton. They are, therefore, more often bought in either specific lots or by type. Cotton yarn furnishes an example of another commodity for manufacture which is bought and sold on conformity to type rather than either by the sort of contract prevailing in the sale of wheat and cotton or even by specific lots. Coal and iron ore, on the other hand, when bought at the mine, or more specifically in the mine, call for an entirely different method of reconciling the inequalities between production and consumption. The typical form of sale in the case of these is by the lease and royalty contract.

The characteristic features of the commercial mechanism for conducting such transactions in merchandise of class A are comparatively simple. As has been pointed out, they are in most cases devices whose underlying task it is to guarantee as far as possible the free play of the price-making influences of supply and demand. A mere listing of the type of marketing device commonly employed in this type of sale serves to make clear the comparative simplicity of this underlying task. Some of the more conspicuous devices are as follows:

1. Brokers.
2. Commission houses.
3. Merchants.
4. Elevators, warehouses, and other storage equipment.
5. Bankers.
6. Underwriters.
7. Auctions.
8. Future trading facilities.
9. Lease and royalty contracts.

Throughout this class of merchandise, as well as the others, it is manifest that the mechanism employed does not coincide with the underlying functions performed. In many cases the essential functions are the same, or are not materially modified by the differences in the physical properties of the merchandise sold. This lack of correspondence between functions and functionaries is also made evident by the fact that the functionaries are constantly in process of change, in both organization and methods of work, while presumably the essential functions cannot have undergone corresponding changes even if they have not actually preserved all of their fundamental characteristics.

To sum up, it may be said that the essential functions involved in guaranteeing free play of supply and demand in the case of merchandise of class A coincide exactly with the list of merchandise and auxiliary functions with which this discussion started.

Merchandise:
- Assembling
- Grading
- Storing
- Moving

Auxiliary:
- Financing
- Assumption of risk

Before closing these general observations concerning the marketing of merchandise of class A, it may be well to repeat again the statement made at the outset, — that the central task of the marketing process to which all of these functions are subsidiary is the transfer of ownership of merchandise in exchange for what is mutually regarded as an equivalent both by its former and by its new owner.

Much of what has been said concerning the equipment which has been developed for handling merchandise of class A is true also of the mechanism for merchandise of class B. There are, however, numerous important differences in detail, most of which grow out of the essential difference between the underlying task in the marketing of products of these two types.

The essential undertaking in the marketing of merchandise of class B is the providing of equipment to meet some detailed and specific need. This usually

involves very close adjustment of the equipment delivered to the particular task in hand, an adjustment which is in many cases so close as to call for expert knowledge or even scientific training, in addition to an appreciation of the purely commercial requirements of the case. Moreover, the delivery of merchandise and the rendering of the services of adjustment must all be performed at a cost having a direct relation to the earning power of the equipment. This is in direct contrast with the conditions set in the case of class A merchandise, where, as has been pointed out, the essential task is the meeting of the requirements of the manufacturer for his raw material in such a way as to make it possible to market profitably the product to be made from it.

The forms of direct sale as well as of sale through the commercial mechanism reflect some of the underlying differences between the marketing tasks; for example, the continuous and fairly close agreements between railroads and certain manufacturers of railway equipment, such as formerly existed, were a direct result of the nature of the marketing problem involved in the selling of such commodities as steel rails, locomotives, or steel cars. In the same way, the relationships between certain manufacturers of such materials as cement and the large consumers of these materials have been very close, even when they did not interlock. Again, even when neither continuous agreement nor periodic contract exists, there are to be found very frequent cordial relationships or even expressed or implied understandings between contractors and those selling building materials, or machinery, or other forms of equipment.

The field of direct sale of merchandise of class B has been perhaps the most fertile one for the growth of interlocking directorates, price agreements, and similar attempts to minimize the uncertainties of trade.

Aside from the large volume of direct sale for merchandise of this class, there is a substantial volume of business conducted through a commercial mechanism. Jobbing contractors, such as are to be found in the sale of many lines of railway equipment, both steam and electric, are perhaps on a dividing line between direct sale and sale through mechanism. Supply houses, such as exist in many parts of the electric trade, or in the trades of building materials, and more completely standardized forms of machinery are clearly middlemen and therefore of the nature of a commercial device. In the case of the manufacturers of equipment highly protected by patents, and particularly when the equipment calls for expert knowledge for keeping it up and special facilities for repairs, the providing of spare parts, and of supplies, the tendency has been to set up special selling organizations which are either actually or nominally operated independently of the actual producing process. Cases in point are the Western Electric Company, engaged in the distribution of telephone equipment, the sales departments of certain of the typewriter companies, and the distributing organization of various makers of machinery, such as printing or textile machinery.

The typical marketing problems of classes A and B are as serious as those of class C, even though they may be in outward form somewhat less complex. It is necessary in comparing them, however, to bear in mind

the frequently repeated fact that in the last analysis in the case of merchandise of class C the price is determined by utility or value in use rather than by the value of the product to be made of it. On this account, it becomes evident that the conditions under which the sales of merchandise of class C are made may become the most important and even the most costly of all the tasks of distribution. It is in this class that there are to be found most of the generally discussed efforts to change the organization of the distributing mechanism. Some phases of these will be fully treated in later chapters. Suffice it to say here that with the elaboration of activities in this class the devices for effecting distribution have become heavily incrusted with features which, while not economically justifiable for all types of customers, have real value to some of them. It is only in very recent years that the efforts to free the distributing system in this class of some of its costly superfluities has taken really constructive form. The blind efforts to "eliminate" some "middleman" seldom have yielded the good results hoped for. The better selection and adaptation of the supplementary services rendered to the needs of various types of customers have accomplished real savings. New forms of mechanism are emerging. The old types of organization are being materially modified. The old terms "wholesaler" and "retailer" now find themselves qualified and subdivided; and the changes, in the main, reflect a closer adaptation of forms of functionary to functions performed.

Finally, in discussing the relation between the

functions of marketing and the forms which have been developed for conducting them, it is noteworthy that in all three classes practically every phase of the distribution mechanism is in a state of constant conflict and instability. In almost every instance a continuous process of reconstruction is going on. A few points of general application emerge from these conditions of chaos which are equally applicable to the conditions underlying marketing of all three classes. Among these, the following may be mentioned:

1. No one form of mechanism ever has been able to demonstrate the fact that it is the one best form of merchandise distribution. This is equally true of the simplest as well as the most elaborate type of mechanism. Even a slight change in the conditions involved in the marketing problem entirely alters the balance of advantage existing in favor of one form or another.

2. In the long run, the success of any marketing device depends directly on the degree to which it performs the necessary marketing functions without waste, and in the interest of the consuming public rather than in the interest of either distributers or producers.

3. There are very few if any secrets of any material consequence any longer in existence concerning either the mechanism of marketing or the methods of its operation.

4. The costs of conducting marketing operations are becoming standardized to an increasing degree.

5. No really constructive idea in the marketing of merchandise can be successfully monopolized for any material length of time.

6. Commercial habits and customs and even conservatism and inertia will in time give way before economies and increased effectiveness of operation in the distribution of merchandise. The forms of the distributing mechanism may therefore with confidence be counted on to adjust themselves to the purely economic elements of the distribution problem.

If these facts can be established or if they are accepted, it follows that any attempt to state the present problems of merchandise marketing or to forecast the course of its future development involves the necessity of fixing the attention not upon the forms or devices which have been developed and which must be regarded as temporary and external features, but, rather, upon the functions of marketing as the permanent elements of the problem

COLLATERAL READING

A. W. Shaw, An Approach to Business Problems, Introduction, Chapters I and II.

Alfred Marshall, Industry and Trade, Book I, Chapter VII.

QUESTIONS AND PROBLEMS

1. What is the wholesale grocer's customary "mark-up" on flour, sugar, tea, coffee, and canned goods?

2. What would be the best arguments for and against an even mark-up of 12 per cent for all goods for a wholesale grocer, assuming that this would give him a satisfactory net profit?

3. Is the wholesale grocer's service essentially identical or does it differ in fundamental character in the case of bulk sugar, nationally advertised package sugar, tea, coffee, canned goods, package goods branded with his own brand, similar goods with "national" brands, dry groceries, matches? Answer in detail.

CHAPTER V

THE ASSEMBLING FUNCTION

Adjustments of Quantity

THERE are in the United States about 6,000,000 farmers, most of whom grow wheat in some quantity, large or small. Of the 700,000,000 bushels of wheat produced in normal years about 100,000,000 bushels is exported chiefly through five or six ports, and most of the remainder is milled into flour by 5000 millers, and finally consumed by 110,000,000 people who have bought it from 300,000 retail grocers or general stores as flour or as bread baked by 14,000 bakers.

Each step in the series of marketing cycles involves the commercial distribution of wheat on a basis which is competitive and therefore presumably not unduly costly. But each step is performed with the wheat, or the flour made from it, handled in a quantity the size of which is determined by some reasonably fixed factor. This factor determining the size of the sale unit for a commodity at successive stages in its distribution may be the result of mere custom, as in the case of those ancient gropings for a convenient measure which resulted in the adoption of the bushel or the gallon, or the slightly more orderly and reasonable measures of the metric system. Even the units resulting from custom are only

one feature of the assembling function, although an important one which often involves no small amount of expense. The units of size employed in commercial transactions often are found to have some physical basis, such as the lifting power of a man in case manual labor must be applied to it. Again the unit may be the result of transportation practices, which, for example, determine the unit of 8000 bushels for a "boatload" of wheat, or 1000 bushels for a carload. In some instances the unit is fixed by the convenience of those advancing money on the goods, or perhaps by the assumers of risk. In similar fashion, bags, bales, boxes, and in some cases even natural units (as bunches or stems of bananas) have become accepted units for purchase and sale of commodities at various stages in their journey from producer to consumer. Into these units the product to be handled must be cast if the distribution is to move smoothly and in the most economical fashion. The physical movement, the financing, and the actual purchase and sale of the goods may in a large measure depend on the skill with which they have been assembled into quantities or units convenient for distribution.

The assembling function derives added importance as a feature of distribution from the fact that the units of economical production and of convenient consumption seldom are the same and that neither of these may coincide with the suitable unit as units for distribution. A "carload" of "20 head" of steers makes a convenient distributing unit at a market where "feeders" are bought. But there are no ranges and few farms on which steers can be grown most economically in lots of

that size, and for an efficiently operating packing house a carload of steers is only a few moments' supply.

In connection with manufactured products of all kinds such terms as case-lots, carloads, dozens, gross, barrels, tanks, serve to illustrate the importance of this matter of assembling and subdividing quantities as a part of the process of merchandise distribution. Any single purchaser, for example, who can advantageously handle a tank-car full of molasses is a more economical customer to serve than twenty who would each be able to buy and sell a few barrels each, and still more economical than five hundred each of whom could only buy and sell a few gallons. And it is not unusual for the commercial savings represented by large purchases of this kind to be so considerable as to make profitable a specialized business in subdividing lots of merchandise bought in quantities large enough to offer the producer a satisfactory return at only a relatively slight advance over this cost of production. Conversely, in such commodities as fleece wool of the farm section of the country a profitable business may be conducted in the assembling of small lots of wool to be sold in block at a relatively small mark-up. This is one of the functions for the performance of which the "middleman" grew up. Blind rebellion against this fact in distribution has been characteristic of the history of business.

A recent writer [1] in discussing the early development of middlemen in England says:

[1] Middlemen in English Business. Ray Bert Westerfield. Introduction, pp. 126–129. Quotation used by permission of the author, the Connecticut Academy of Arts and Sciences and the Yale University Press.

"The mercantile and trading class has been subject to much opposition from both the producers and the consumers. National and municipal legislation joined with social usage to make the way of the middleman undesirable. The church and guild presumed to do his functions in a collective manner and render him unnecessary. Writers on social and economic questions were usually adverse to his interposition between producer and consumer. This was more particularly true of the medieval and Continental writers. The theory that middlemen were an unproductive and therefore an undesirable class did not gain much acceptance in English economic theory. Petty in 1662 was of the opinion that a 'large proportion of these . . . might be retrenched, who properly and originally earn nothing from the Publick, being onely a kinde of Gamesters,' yet he recognized their services in being 'veins and arteries, to distribute back and forth . . . the product of Husbandry and Manufacture.'[1] Locke also regarded middlemen 'Brokers' as inconsistent with the public good,[2] because they retarded the circulation of money. But these opinions had little effect and wasted in the eighteenth century before the tenet that the employment of population and labor was the fundamental riching power in a nation,[3] and that therefore goods ought to pass through as many hands as possible.[4] This theory, though resting on the economic fallacy of 'making work,' did favor the existence of middlemen and carriers, but hindered any change of organization which tended to reduce the number of middlemen or forced a change in their occupation. For instance, the introduction of the turnpike, stage-coach, and canals was opposed by the vested interests. The doctrines of the period were therefore not opposed to the rise and perpetuation of middlemen.

"Omitting the personal catering to human whims and fancies, the only justification which a middleman can offer for his existence is that by his intervention economies are realized which at least equal what he extracts from the trade for his expense and profits.

[1] Petty, Treatise of Taxes, 11. [2] Locke, Works, 11, 15.
[3] Palgrave, 1, 87; Defoe, Eng. Tr. 11, Chap. XXXVIII.
[4] Defoe, Com. Eng. Tr. 11, 178, Chaps. XXXVII and XXXVIII.

The test of this equality in a competitive market is determined by the effect his intervention in the handling of a ware has on the price of that ware. If he performs a real service to the trade the price is lowered; if he does not perform such a service the price is raised and he is eliminated. In actual trade the inertia of habit and the power of monopoly may long continue him as an unprofitable servant. In a state of widely dispersed industry, with little local specialization, with poor means of communication and transportation, and with seasonal activity, there is excellent opportunity for the rise of the middleman class. Goods must be bought in small lots from domestic producers, and they must be sold to distant consumers in small lots. It is not profitable for each producer to carry his small product to the distant consumer; the cost of carriage and waste of time prevent. Nor does he know nor have the means of learning where consumers may be found. On account of the seasonal activity of both production and carriage, warehousing during a part of the year is necessary. Where such conditions exist a middleman may assume the function of buying from the many producers, warehousing the collected purchases, specializing in knowing the mutual wants of consumers and producers, and carrying to the distant consumers. Add to these conditions, the circumstance that foreign trade was practically limited to a few ports and was there concentrated in the hands of a few privileged merchants, and you have a presentment of the conditions existent under which the orthodox middlemen class arose. As a functionary the middleman was necessary and useful: he effected economies that reduced prices to consumers and justified his intervention. As the century progressed this class increased in numbers, efficiency, and degree of specialization. The increase in the volume of trade was both cause and effect in respect to this increase.

"But the middleman tends, by the development of his own efficiency, to eliminate himself from trade. He does this in several ways: as a speculator, the risks of trade are assumed by him and he specializes at reducing the very ignorance upon which speculation rears itself. He introduces better communication and cheaper transport; but this enables the producer to discover his consumers

and carry his produce himself. These improvements make possible mass-productions and quantity buying, traveling salesmen and mail-order business. Business is done on a bigger scale, capital is concentrated in fewer hands, and industries are integrated. The economic dependence of the producer on the middlemen comes to jeopardize the producer's business by separating him from the market. The producer seizes the opportunity of dealing directly with the consumer, appealing to him by trade marks and trade connections, learning more truly the nature of the demand for his goods, and gauging better the production of his mill. But it is apparent that the system of integrated industries was not possible until the domestic workshop had given way to the factory and production was done on a massive scale. That era was introduced by the Industrial Revolution. Until that time the tendency was for the middleman to increase in numbers, efficiency, and specialization. Since that time the economics of large production and wide distribution and the improved means of production and communication have caused a counter movement and tended to break down the orthodox system of middlemen.

"The introduction of the middleman into economic life had a most profound influence in the social history of mankind. Instead of local self-sufficiency and separation, a broad economic interdependence and community of interests arose. A competitive system supplanted the medieval direct exchange, public market, fixed-and-just-price system. Supplies were equalized in times and places, and made less dependent upon the accidents of weather. Economic life acquired a speculative quality. The modern categories of economics arose. Business was born."

The assembling of diverse kinds or types of merchandise for purposes of economy or convenience is another phase of the assembling function. The books of a western wholesale general dry goods house show eighty-one different lines of standard goods carried at all times. If seasonal and occasional lines, and the various prices and qualities of both regular and occasional lines are

counted, the same house is estimated to carry 250,000 different kinds of goods. In the same way, if all grades, sizes, and prices are counted, the ordinary grocery or drug store carries from 3000 to 5000 separate items, and the stock of a department store with 50 to 150 departments would include many thousands.

It is evident, therefore, that of the services rendered by the successive functionaries in the distributing mechanism that of assembling (or dispersing) merchandise of one kind into suitable commercial lots, and the accompanying function of bringing together diverse lines for easy and profitable purchase and sale, are among the most important of all. The very existence of trades embracing goods from many sources, such as are found in grocery, drug, dry goods, or hardware stores, reflects the fundamental character of this phase of the assembling function.

The basis for the various combinations of lines is not always clear. Shoe polish, ink, brooms, candy, stationery, and many other lines do not follow any one trade in seeking an outlet, but, on the whole, for merchandise for individual or household consumption, use determines the combination. Most of the articles commonly found in a grocery store are for use as food; the others are closely allied articles for household use — cleaning materials, fruit jars, and the like. Similarly, most of the hardware lines are articles for household or building equipment, and even a drug store still carries some drugs.

Not only are the dividing lines between trades not always clear, but each of these commonly encountered

functionaries shows a marked tendency to change in this respect. Some of the old, generally accepted lines are badly broken. A store which adds "gifts" to its line of drugs is no longer the same old apothecary shop. In fact, with soda fountains, sandwich bars, hot chocolate boilers, candy and cigar counters, phonograph record demonstrations, and other modernities, the American drug store is practically smothered with sundries. The semi-professional character of drug dispensing makes it seem probable that these purely commercial adjuncts would not have been added if the sale of drugs had remained profitable. This recent group of changes in the American drug business makes it clear that use alone cannot be counted on to determine what lines are to be assembled for joint sale, and that whatever the basis is, it is unstable in at least some trades.

This problem of assembling lines and quantities for convenient purchase, while it underlies much of the structure of modern distribution, cannot wisely be considered as solely a characteristic feature of the modern distributing mechanism. Even before steam transportation so greatly increased the fluidity of commerce, the assembling function expressed itself in highly organized forms. It is not necessary to go back to medieval or ancient times for a most interesting instance is to be found in the fairs which throve in England and on the Continent for several centuries, and still are conducted in a few places. Daniel Defoe's description of the Sturbridge Fair is often quoted. It may well be cited here as a reminder of the per-

manence of the assembling task as a part of merchandise distribution.[1]

"Having been at Sturbridge fair when it was in its Height in the month of September, the Year before I was at Newmarket, I must say, that it is not only the greatest in the whole Nation, but I think in Europe; nor are the Fair at Leipsick in Saxony, the Mart at Frankfort on the Main, or the Fairs at Nuremberg, or Augsburg, reputed any way comparable to this at Sturbridge.

"It is kept in a large cornfield, near Casterton, extending from the side of the River Cam, towards the Road, for about a half a Mile square.

"If the Field be not cleared of the Corn before a certain day in August, the Fairkeepers may trample it under-foot, to build their Booths or Tents. On the other hand, to balance that Severity, if the Fairkeepers have not cleared the Field by another certain day in September, the Ploughman may re-enter with plough and Cart, and overthrow all into the Dirt; and as for the Filth, Dung, Straw, etc., left behind by the Fairkeepers, which is very considerable, these become the Farmers Fees, and make them full Amends for the trampling, riding, carting upon, and hardening the ground.

"It is impossible to describe all the Parts and Circumstances of this Fair exactly; the Shops are placed in Rows like Streets, whereof one is called Cheapside; and here, as in several other Streets, are all sorts of Traders, who sell by Retale, and come chiefly from London. Here may be seen Goldsmiths, Toymen, Brasiers, Turners, Milaners, Haberdashers, Hatters, Mercers, Drapers, Pewterers, China-warehouses, and, in a word, all Trades that can be found in London; with Coffee-houses, Taverns, and Eating-houses in great Numbers; and all kept in Tents and Booths.

"This great Street reaches from the Road, which, as I said, goes from Cambridge to Newmarket, turning short out of it to the Right toward the River, and holds in a Line near half a Mile

[1] Daniel Defoe. Tour of Great Britain. Vol. I. Letter ii.

quite down to the River-side. In another Street parallel with the Road are the like Rows of Booths, but somewhat larger, and more intermingled with Wholesale Dealers; and one Sidd, passing out of the last Street to the Left-hand, is a great Square, formed of the largest Booths, called the Duddery; but whence so-called I could not learn. The Area of this Square is from 80 to 100 Yards, where the Dealers have Room before every Booth to take down and open their Packs, and to bring in Wagons to load and unload.

"This place being peculiar to the Wholesale Dealers in the Woolen Manufacture, the Booths or Tents are of a vast Extent, having different Apartments, and the Quantities of Goods they bring are so great, that the Insides of them look like so many Blackwell-halls, and are vast Warehouses piled up with Goods to the Top. In this Duddery, as I have been informed, have been sold 100,000 Pounds-worth of Woolen Manufactures in less than a Week's Time; besides the prodigious Trade carried on here by Wholesalemen from London, and all Parts of England, who transact their Business wholly in their Pocket-books; and meeting their Chapmen from all Parts, make up their Accompts, receive Money chiefly in Bills, and take Orders. These, they say, exceed by far the Sales of Goods actually brought to the Fair, and delivered in Kind; it being frequent for the London Wholesalemen to carry back Orders from their Dealers, for 10,000 Pounds-worth of Goods a Man, and some such more. This especially respects those People who deal in heavy Goods, as Wholesale Grocers, Salters, Brasiers, Iron Merchants, Wine merchants, and the like; but does not exclude the Dealers in Woolen Manufactures, and especially in Mercery-goods of all sorts, who generally manage their Business in this Manner.

"Here are Clothiers from Halifax, Leeds, Wakefield, and Hathersfield, in Yorkshire, and from Rochdale, Bury, &c. in Lancashire, with vast Quantities of Yorkshire Cloths, Kerseys, Pennystons, Cottons, &c. with all sorts of Manchester Ware, Fustians, and Things made of Cotton Wool; of which the Quantity is so great, that they told me there were near 1000 Horse-packs of such Goods from that Side of the Country, and these took

up a Side and a Half of the Duddery at least; also a Part of a Street of Booths were taken up with Upholsters Ware; such as Tickings, Sackings, Kidderminter Stuffs, Blankets, Rugs, Quilts, &c.

"In the Duddery I saw one Warehouse, or Booth, consisting of six Apartments, all belonging to a Dealer in Norwich Stuffs only, who, they said, had there above 20,000 l. Value in those Goods.

"Western Goods had their Share here also, and several Booths were filled with Serges, Duroys, Druggets, Shalloons, Cantaloons, Devonshire Kersies, &c. from Exeter, Taunton, Bristol, and other Parts West, and some from London also. But all this is still outdone, at least in Appearance, by two Articles, which are the Peculiars of this Fair, and are not exhibited until the other Part of the Fair, for the Woolen Manufacture, begins to close up: these are the WOOL, and the HOPS. There is scarce any price fixed for Hops in England, till they know how they sell at Sturbridge Fair. The Quantity that appears in the Fair is indeed prodigious, and they take up a large Part of the Field, on which the Fair is kept to themselves; they are brought directly from Chelmsford in Essex, from Canterbury and Maidstone in Kent, and from Farnham in Surrey; besides what are brought from London, of the Growth of those and other Places.

"Inquiring why this Fair should be thus, of all other Places in England, the Centre of that Trade, and so great a Quantity of so bulky a Commodity carried thither so far; I was informed by one thoroughly acquainted with that Matter, That Hops for this Part of England grow principally in the two Counties of Kent and Surrey, with an Exception only to the Town of Chelmsford in Essex; and there are very few planted anywhere else.

"There are indeed in the West of England some Hops growing; as at Wilton, near Salisbury, at Herford and Broomsgrove, near Wales and the like; but the Quantity is inconsiderable, and the Places so remote, that none of them come to London.

"Formerly in the North of England, few Hops were used, their Drink being chiefly pale, smooth Ale, which required but little Hops; and consequently they planted none North of Trent. But, as for some Years past, they not only brew great quantities

of beer in the North, But also use Hops in the brewing their Ale, much more than they did before, they all come South of Trent to buy their Hops; and here being vast Quantities brought, it is great Part of the back Carriage into Yorkshire, Northamptonshire, Derbyshire, Lancashire, and all those Counties; nay, of late, since the Union, even so far as Scotland; for I must not omit here to mention, that the River Grant, or Cam, which runs close by the North-west Side of the Fair, in its Course from Cambridge to Ely, is navigable; and that by this Means all heavy Goods are brought to the Fair-field, by Water-carriage from London, and other Parts; first to the Port of Lynn, and then in Barges up the Ouse, from the Ouse into the Cam, and so to the very Edge of the Fair.

"In like Manner great Quantities of heavy Goods, and Hops among the Rest, are sent from the Fair to Lynn by Water, and shipped there for the Humber, to Hull, York, &c. and for Newcastle upon Tyne, and By Newcastle to Scotland. Now, as they do not yet plant Hops in the North, tho the consumption there is very great, and increasing daily, this is one Reason why at Sturbridge-Fair there is so great a Demand for them, besides there were very few Hops, if any worth naming, growing in all the Counties even on this Side Trent, above 40 miles from London, those counties depending on Sturbridge-Fair for their Supply: so the Counties of Suffolk, Norfolk, Cambridge, Huntingdon, Northampton, Lincoln, Leicester, Rutland, and even to Stafford, Warwick, and Worcestershire, bought most of, if not all, their Hops at Sturbridge-fair.

"This is a Testimony of the prodigious Resort of the Trading People of all Parts of England to this Fair; where surprising Quantities of Hops have formerly been sold.

"The Article of Wool is of several Sorts; but principally Fleece Wool, out of Lincolnshire, where the longest Staple is found, the Sheep of those Parts being of the largest Breed.

"The Buyers are chiefly the Manufacturers of Norfolk, Suffolk, and Essex; and it is a prodigious Quantity they buy.

"Here I saw what I had not observed in any other County of England, a Pocket of Wool; which seems to have been at first

called so in Mockery, this Pocket being so big, that it loads a whole Waggon, and reaches beyond the most extreme Parts of it, hanging over both before and behind; and these ordinarily weigh a Ton or 2500 Pound Weight of Wool, all in one Bag.

"The Quantity of Wool only, which has been sold at this Place at one Fair, has been said to amount to 50 or 60,000 l. in Value; some say, a great deal more.

"By These Articles a Stranger may take some Guess at the immense Trade which is carried on at this Place; what prodigious Quantities of Goods are bought and sold, and what a vast Concourse of People are seen here from all Parts of England.

"I might proceed to speak of several other Sorts of English Manufactures, which are brought hither to be sold; as all Sorts of Wrought Iron, and Brass Ware from Birmingham; edged Tools, Knives, &c. from Sheffield; Glass Wares, and Stockens, from Nottingham and Leicester; and unaccountable Quantities of other Things of similar Value every Morning.

"To attend this Fair, and the prodigious Crowds of People which resort to it, there are sometimes no less than 50 Hackney Coaches, which come from London, and ply Night and Morning to carry the People to and from Cambridge; for there the Gross of them lodge; nay, which is still more strange, there are wherries brought from London on Waggons, to ply upon the little River Cam, and to row People up and down, from the Town, and from the Fair, as Occasion presents.

"It is not to be wondered at, if the Town of Cambridge cannot receive or entertain the Numbers of People that come to this Fair; for not Cambridge only, but all the Towns round are full; nay, the very Barns and Stables are turned into Inns, to lodge the meaner Sort of People: As for the Fair-people, they all eat, drink, and sleep in their Booths, which are so intermingled with Taverns, Coffee-houses, Drinking-houses, Eating-houses, Cooks Shops, &c. and so many Butchers and Higglers from all the neighboring Counties come in every Morning with Beef, Mutton, Fowls, Butter, Bread, Cheese, Eggs, and such Things, and go with them from Tent to Tent, from Door to Door, that there is no want of Provisions of any Kind, either dressed or undressed.

"In a Word, the Fair is like a well-governed City, and there is the least Disorder and Confusion (I believe) that can be seen anywhere, with so great a Concourse of People."

When considering the distributing mechanism of the twentieth century it is worth while keeping in mind this picture of the way the distributing activities were carried on two hundred years ago. The units of production were small, the radius of distributing activity was restricted by the difficulties of transportation. But in many essentials the marketing tasks were similar. Except in rare and special cases the general fairs like this have not survived. But even to-day there are the London wool sales, the fur auctions of St. Louis, and many other temporary assembling markets conducted at intervals and bringing buyers and sellers together in a trading mood; while the great mass of business has worked out other devices for accomplishing similar ends. And the striking feature of all these devices is the fact that they are constantly changing form in important particulars, while the tasks they are set up to perform persist. The new forms are mainly the result of efforts to adjust the device more accurately to the task, as it is modified by social and economic changes.

According to any logical standard the rise of costs and the need for profits have made some strange bedfellows in distribution. This situation raises an important question. If the old lines are to be broken up and new combinations are to be worked out, what should control the nature of these combinations? Should it be use, or the profits of the distributer, or some constructive motive like the securing of a maximum

of efficiency in distribution from the standpoint of the consuming public?

The assembling (or dispersing) function is necessarily closely allied with all the other merchandise functions. Obviously its performance frequently is closely allied with grading, storing, and moving. In fact, the difficulties in the way of completely separating the costs of this function from all the other features of distribution are baffling. The main points to be kept in mind in connection with it are its presence, its indispensable character, and the fact that hitherto it has been performed and the mechanism for its performance organized on such bases as traditional or customary units, historical practices or the convenience or profits of the functionary rather than on the basis of economy or effectiveness of operation.

COLLATERAL READING

Alfred Marshall, Industry and Trade, Book II, Chapter I.
L. D. H. Weld, Marketing Agricultural Products, Chapters I, II, III.
W. S. Stevens, Industrial Combinations and Trusts, Chapter VI.

QUESTIONS AND PROBLEMS

1. Make a list of the chief groups of items carried in some nearby or convenient

Drug store
Grocery store
Stationery store
Hardware store

Find out if possible which of these lines have been taken on during the past 5 years, 10 years, 15 years, and 20 years respectively.

2. Indicate standard producers' wholesale and retail sale units for 20 separate commodities.

3. What are the advantages of barrels as against boxes as containers for apples, and vice versa, from the standpoint of the producer, distributer, and consumer?

4. In what unit or units does a worsted dress goods mill sell its product? Why are these in use? Into what units is the cloth subsequently divided in the course of distribution?

CHAPTER VI

THE GRADING FUNCTION

Adjustments of Quality

RAW materials as yielded by the earth seldom are uniform in quality. This is equally true of products of the mine, forest, farm, or sea. Consumption of these products, particularly if they are to be manufactured, calls for some degree of uniformity. In use, the value of the different qualities produced by nature may vary widely, quite aside from their intrinsic worth. Two bushels of wheat may be intrinsically equally good as food, but if one is of a soft variety of wheat while the other is hard, the types of flour to be made from them will be radically different, and hence the two bushels will sell to different users and may sell for very different prices. A third bushel of mixed hard and soft wheat would find a still different buyer from either of the other two, if it could be sold at all; hence it might bring a very different price (probably much lower), all in the same wheat market.

It is not always easy to understand why the grading functions should affect the value of a commodity so greatly as it often does. In the case of merchandise of classes A and B (raw material for manufacture or supplies for equipment) the reasons are clearer than in the merchandise of class C. But in the cases of any one

of the classes it is sometimes a matter of surprise to find how large a premium buyers are willing to pay for a well-graded product as compared with one which is poorly graded, or not graded at all, or conversely, how difficult it is for an ungraded product to find a satisfactory market. In the sale of potatoes — a commodity difficult to grade evenly — it is commonly true that a car packed by a farmer and not skillfully graded will sell for less than a car packed by a potato shipper and presumably graded with care and reasonable conformity with accepted standards. Another classic instance of the difference between the status in the market of a graded as against an ungraded commodity is the salability and the high price of well-graded western apples compared with apples, probably equally nutritious, carelessly packed in accordance with the old and, in many respects, bad habits prevalent on New England farms. The ability to "top the market" has come to be recognized as quite as much a matter of careful grading as of production in many trades.

Compared with the cost of its performance there is none of the marketing functions which enhances the value of commodities as greatly as this one of grading. In the case of raw materials for manufactures it is frequently true that a commodity may not be usable until it is graded. The peculiarities of machine or process may make imperative the elimination of all unsuitable sizes or qualities. It is probable that the grading function in all classes of merchandise owes much of its importance to this phase of the demand made by the factory system. Indeed, the growth of the institution of

sale on grade has been attributed largely to the growth of the factory type of industry. But the employment of sale on grade and the corresponding function of grading have spread to many lines not affected by the demand for uniformity due to the use of machinery. Apparently the convenience and economy of grade sales have established for this a place among marketing functions far more important than its original use. The marketability of a product often is a factor quite as important as intrinsic adaptability to manufacture in enhancing the premium on trustworthy grading. In contrast with this great increase in the value of a commodity from grading stands the usually low cost of the grading. The grading process ordinarily is, to a large degree, mechanical and not expensive to perform. There are, of course, exceptions to this general statement such as are found, for example, in the cases where chemical tests are the basis for grading. But even in cases where the grading process is not simple, the return from its performance is large.

So important is the grading function and so necessary is it that the work be done honestly and well that it is not uncommonly the object of official control, while in some instances, as in the case of grain grading in Illinois, Missouri, and Minnesota, it is actually carried on by public officials who are heavily bonded.

The basis for grading seldom reflects the convenience of either the producer or the seller. It usually is the result of some form of demand by the buyer or consumer, whether he be manufacturer or final user. In some cases the convenience of the distributer, or the facili-

tating of distribution, has become the basis of the grading system, but this usually reflects in some measure on aggregation of desires by consumers which have a direct effect on price or marketability. The following memorandum by Mr. John C. F. Merrill, formerly President, now Secretary of the Chicago Board of Trade, quoted by H. H. Brace in his *Value of Organized Speculation*,[1] shows some features of the interaction between grading, trading on grade, production and prices:

"Up to 1891 we accepted No. 2 wheat, no matter of what variety. The wheat then produced in Iowa, Nebraska, and other sections tributary to this market was a variety incapable, by reason of its inherent qualities, of being manufactured into a high grade of flour. It was so inferior to No. 2 Red, No. 1 and No. 2 Northern Spring, that the millers bought these latter grades and let the No. 2 Spring, the grade above referred to, alone. It accumulated here to the extent of several millions of bushels. When the late William T. Baker was elected president of the Board in 1891, he, in his inaugural address, advocated the amendment of our rules so that they should provide only for the delivery of No. 2 Red and No. 1 Northern Spring. The rules were so amended by vote of the association. The effect of this was to completely stop the production of inferior wheat. So long as it was deliverable on contracts for future delivery, it of course had a good market. It sold then on that basis. The other grades always, that is, the No. 2 Red and No. 1 Spring, always sold at a premium over it, but when this delivery privilege was taken away from it, farmers stopped raising it.

"Again the No. 2 Hard Winter Turkish wheat, mainly produced in the tablelands of western Nebraska and western Kansas, northern Oklahoma and the Pan Handle of Texas, for many years was not deliverable on contracts for future sales. After a few

[1] Quoted here by permission of, and by special arrangement with, Houghton Mifflin Co.

years from the time its production in the United States was begun, it was made deliverable at 5 cents discount, later this was made 3 cents per bushel discount, and then this penalty was removed and it was made equal with the other grades. Its production thereby was increased, and now it is not only produced as largely as ever in the territory named, but also in Missouri and Illinois. . . .

"I suppose it may be truthfully said that this is a question of making a market and of destroying a market, and that such result might have been reached through ordinary merchandising channels of the millers, yet, so soon as the delivery on future contracts was affected, the production of the grain was materially affected. May we not say, then, that if it could stop the production in the one case, and increase it in the other to a very perceptible degree, that it has a pronounced influence on values? That it upholds and adds to the value of that which is desirable, that it bears down and obliterates that which is undesirable?"

From a commercial point of view certain commodities when well graded offer such distinct and recognizable advantages over lots of the same commodity not so graded as to make clear some of the reasons for the resulting increase in price. In the first place such a commodity may usually be bought on sample or on grade instead of on inspection only. This often widens its market very substantially. One hundred bales of cotton, as received by a county merchant, may include a few bales of each of ten different grades. The only market for such an assortment if ungraded would be a buyer seeking to assemble diverse lots and sell them on grade, or a number of separate manufacturers each of whom wants to buy specific grades and is willing to pick out of the lot the bales he can use. In either case the cotton must be inspected, and only those equipped

to and willing to make an inspection can safely buy the lot or any part of it. But the same lot, if graded, at once becomes marketable on grade, thereby securing a much wider market than before. The various graded bales may easily be put into lots with other bales of the same grade, and a wide range of buyers, manufacturers, and speculators is added to the possible market. Not only does grading make the market wider, it makes the market more active as well. Bidding for any given commodity, all other factors being anything like equal, will be more spirited as the market widens. Again, grading removes from a given lot of a commodity the speculative element inherent in the uncertainty as to its contents. Its purchase no longer adds to the uncertainty of market conditions the uncertainties as to what is being bought. This latter element becomes a matter of assurance and, presumably, of guarantee. A graded commodity has a definite value in exchange as well as value in use. Its market is as wide, active, and sure as it can be, and in addition to all these increases in value grading makes the merchandise a safe basis for credit or for advance of money.

In cases where a commodity in the course of distribution must, or seeks to, pass through a public auction, accurate grading is imperative. In seventeen of the chief cities of the country a large part of the fruit supply enters the market through public auctions, and in these sales trustworthy grading is essential to satisfactory sale. Most of the wool grown in Australia is used as security for money advances, and by law must be sold at auction. A result is that Australian wool, as a class,

is the best graded and best packed wool in the market. American wool, in contrast, is notoriously poorly graded and packed, and in any case of unprotected competition with Australian wools is at a disadvantage grade for grade.

In the progress of a commodity from original producer through the marketing mechanism to the final consumer several regradings may be necessary. These may be required in order to meet the commercial needs involved in the successive commercial steps. These regradings have sometimes offered an opportunity for extra profits to the distributer. Often they are of such a nature as to prevent any satisfactory tracing of costs and qualities from consumer back to producer. In some cases they are necessary; while, in other cases, they render no indispensable service, and, convenient as they may be for some phases of distribution, they could be eliminated without serious loss. From the point of view of the value of the goods to the consumer and their relative cost to him these functions are not defensible. As a whole, however, grading, or the correction of maladjustments between production and consumption with respect to the quality of merchandise, stands as the most useful of the merchandise functions.

Quite aside from the value of grading from the viewpoint of the user of the commodity in manufacture, grading has marked effects on the commodity from a purely commercial point of view. Future trading, or sale by type, is equally impossible before, and equally simple after, the commodity has had its properties established with relation to accepted standards. Storage and

the advancing of money on the commodity in its progress from producer to consumer are facilitated by accurate grading. The whole system of warehouse receipts is built up on the existence of trustworthy grades or standards and the assimilation of any given lot of merchandise to those standards. False claims and other dishonest practices are immensely more difficult when grading has been carefully done. The whole process of future trading and the existence of honestly conducted speculation markets assume a grading system as an indispensable prerequisite. These devices are more conspicuous and more highly developed in certain agricultural products like cotton and some of the chief grains. But the same principles apply whenever the commercial devices are employed in the case of other commodities. Pig iron warrants are merely standardized documents representing varying lots of pig iron graded, standardized, and stored under controlled conditions. The ease with which certain agricultural products may be reduced to a few reliable standards more than any other cause accounts for the great prevalence of highly organized trading centers and trading organizations for handling them.

By expansion these results from grading to be found in the marketing of agricultural products are found to exist in the case of many other commodities, particularly in classes A and C. Minerals, raw and partly manufactured materials, such as iron ore, copper, pig iron; forest products, such as lumber, turpentine, and rosin; and even such manufactured products for individual consumption as dried fruits, canned goods, tea, coffee,

and others pass through much of the distributing process, and in some cases even go to the final consumer on grade. And in being handled in this way results similar to many, if not all, of those to be found in cotton and grain markets occur.

COLLATERAL READING

L. D. H. Weld, The Marketing of Farm Products, Chapters IV, V, VI, and XVII.

U. S. Dept. of Agriculture, G. K. Holmes, Report 98, Marketing Farm Produce, pp. 9–25.

U. S. Dept. of Agriculture Yearbook, 1916, pp. 231–234.

P. T. Cherington, The Wool Industry, Chapter IV.

QUESTIONS AND PROBLEMS

1. List the grades in common use in the marketing of wheat, cotton, wool, potatoes, pig iron, yellow pine lumber, oysters.

2. What is the physical basis of grading in each of the above cases?

3. Do these grades continue uniform from producer to consumer?

4. Who does the grading? Is it officially supervised? If so, by what authorities?

5. Are the grades in your community the same as those prevailing generally throughout the country?

CHAPTER VII

THE STORING FUNCTION

Adjustments of Time

For most articles of commerce there are special seasons of production; for most of them also there are seasonal fluctuations in consumption; and in temperate zones these seldom coincide. Wheat, for example, practically all comes to harvest in this country within six or eight weeks of summer. Consumption of wheat and flour, on the other hand, seems fairly even all year. Similarly, ice is cut in winter and most heavily used in summer. Eggs are produced in a few weeks in spring far enough in excess of human capacity for those weeks to leave a surplus for consumption at reasonable rates for most of the rest of the year. Iron ore is mined on the ranges and moved in sufficient quantities during open navigation on the Lakes to keep the Pittsburgh blast furnaces going all winter. In each of these cases and in many others, the maladjustments between the time of production and the time of consumption are cared for by piling up the goods in some safe place, and protecting them against deterioration.

The ideal situation from the point of view of economy in distribution would be one represented by a perfectly even climate, perfectly constant production of all essential staples, and, presumably, an unvarying density and vigor of consumption. Such a situation would

offer an inconceivable degree of monotony compared with such conditions as actually exist in most parts of the world.

At least in the temperate zone there are few products of either farm, forest, mine, or sea which do not show fluctuations in production due to climatic, physiological, or biological causes. And these variations are rendered more than ever complex by variations in consumption. The heavy-weight season and the light-weight season are the main divisions of the consumption year in nearly every line of clothing. Foods show almost an equal regularity in adaptation to climatic changes, not merely in variations in production, but in fluctuations with respect to consumption. In the case of manufactures in general there are irregularities in both production and consumption which involve accumulations of finished goods as well as of raw materials.

The mere physical preservation of the merchandise is the most obvious feature of the storage process. This, with its resulting benefits in the way of time adjustments, is more striking in the case of cold storage as applied to perishable foods than in any other form. Dr. Mary E. Pennington of the United States Department of Agriculture, in an address a few years ago, put in compact form a summary of the more conspicuous commercial results of cold storage. In part she said:

"For years our agricultural schools have been studying the planting, cultivating, and harvesting of crops. 'Intensive farming' has become a by-word. What have we done to conserve freshness and high quality and to lessen the losses from decay between the producer and the consumer? You cannot pass along one of the market thoroughfares of our city without seeing on every hand

foodstuffs that show deterioration in quality chiefly due to bad handling between the time the grain was harvested, the fruit was picked, the animal was killed, or the egg laid, and the time they reached the market. I know of but one class of foods in which the decay observed here in New York is so slight as to be almost negligible; namely, the citrus fruit from California. Years ago the Department of Agriculture, in response to urgent demands from Southern California, sent some investigators to find out, if possible, why the amount of decay was so great.

"The fruit reached the East in such a condition that no one wanted it. The trouble was blamed on the soil, the climate, the transportation companies, and the consignees. The Department studied the handling of citrus fruits systematically and coöperatively with the growers, shippers, and carriers. As a result, it was a matter of only a few years until the decay was commercially a thing of the past. A carload of oranges and lemons, properly picked and packed, is sure to arrive in New York in good order. So certain has this become, that in a recent controversy between the shippers and the railroads before the Interstate Commerce Commission that both factions agreed that lemons and oranges were not perishable articles. Ten years later the growers were ready to dig up their orchards. Last year California shipped over 50,000 carloads of citrus fruits and the new groves all through the citrus-growing territory bear testimony to the confidence of the people in the industry.

"It is but a few years ago that the storage of apples was a lottery; the shipment of peaches north from Georgia a hazard; the marketing of pears and grapes had to be rushed into a small space of time, etc., etc., etc. Scientific investigation has greatly helped the marketing and storing of all those commodities and many more and though no other perishable has attained to the high perfection accorded to the handling of citrus fruits, there is no reason why they should not do so.

"The Department thinks it is justified in its belief that even so delicate a commodity as a carload of poultry, properly killed, picked, chilled, packed, and refrigerated during transportation, is as certain to arrive in good order as is a carload of oranges. Eggs,

brought fresh to the packing house, chilled and shipped under refrigeration, arrive at the market, after a week in transportation, in better condition than the eggs from near-by towns collected in the hit-or-miss fashion generally followed by the farmer, and taken to market as it suits his convenience.

"The study of the methods of handling poultry and eggs has been under way in the Department of Agriculture for several years. These commodities are not only becoming more and more popular as foods, but they are demanded by the consumer the year round, and, as they are seasonal products, the excess of the flush season must be conserved by cold storage if the market is to be supplied during the season of scarcity. From a monetary point of view, no other crop, except corn, is so valuable. Eggs alone are worth approximately $500,000,000 per annum, and poultry is worth about half that sum. It is exceedingly difficult to estimate in dollars the amount of spoilage in any perishable throughout the country or the year. Yet we have evidence to show that between 8 and 10 per cent of all the poultry and eggs raised are totally lost as foodstuffs before the consumer is reached. In addition to this there is the saving in price due to deterioration in quality. We are, therefore, probably well within the truth when we place the loss on those two commodities as $75,000,000 yearly. And the loss is just as unnecessary as was the decay in citrus fruits. It is practically all referable to handling after the bird is killed or the egg laid. Of course, better breeds would produce more desirable birds and larger or more plentiful eggs, but the greater loss is the neglect of our present output. . . .

"The conservation of foodstuffs during the flush season is absolutely necessary if we feed our people the year round as we have been feeding them. Scientific and practical experiments have indicated that when refrigeration is applied to the product while it is in perfect condition, it remains in good condition until the next season of production arrives. But it must be well handled before storing and well handled during marketing after storage."

One of the most important developments of the conduct of the storage business in recent years is the work

now being done by the American Warehousemen's Association in standardizing charges for various types of storage. This work has been done under the direction of a committee of the association. The plan as worked out is an ingenious one built up on a carefully calculated basic charge which is modified in the case of various types of merchandise and varying conditions of storage. The base charge is designed to cover the cost of performing the simplest group of service for the most economical type of goods to be stored. Additional services and higher costs are then allowed for by a graded scale as nicely constructed as the tables of an insurance actuary. This effort promises to go a long way toward putting the rendering of the storage function on a scientific basis with respect to charges. In short, it bids fair to render for the storage business a service not unlike that rendered to the insurance business by the introduction of modern actuarial methods.

The facilities for performing the storage functions are far more numerous than the restricted group of warehouses of various types. The very name "Store" which we commonly apply to a retail establishment puts proper emphasis on the fact that it is one of the conspicuous functions of the retailer to hold stocks of goods until they are needed by consumers. Grain elevators, icehouses, storage piles for coal, iron ore storage yards, lumber yards, are additional types of storage facilities quite aside from stores, warehouses, and cold storage plants which naturally come to mind when storage is mentioned. The American Warehousemen's Association has 204 members whose activities are divided

into four groups: household storage, merchandise storage, commercial storage, and cold storage. This gives some idea of the extent and variety of the specialized warehouse or storage business. But it does not convey any conception of the intricacy of the storage function in merchandise distribution nor of its place in the combined process of marketing.

The correction of maladjustments between production and consumption with reference to time is not only a vastly important task by itself, but the performance of it is intimately associated with many of those activities which determine the organization of, and operating conditions in, the whole marketing system. Physically, the storage function preserves merchandise in usable condition until it is needed, or until, from an economic point of view, it is wise to dispose of it. Incidentally the facilities developed for performing this underlying function may prove to be most economically installed and operated when they are of such a form as to offer at the same time facilities for assembling and grading, as in the case of grain elevators, or for moving to market, as in the case of the refrigerator cars and cold boxes operated by certain meat-packing companies.

From a commercial point of view, the incidental features of storage are not less important and diverse than those connected with the physical preservation of the goods. Merchandise in store may be withheld from the market, or released to the market on short notice. The stored merchandise also offers a tangible basis for credit; in fact, most goods in store are used at one time or another as security for an advance of money, against

their eventual sale; similarly stored merchandise offers a basis for speculative trading, which, while capable of abuse, undeniably does widen the market for the commodity by adding traders for gain to the actual users as possible purchasers for the goods. Another important commercial effect is the strengthening of the seller's position in the market. Within far greater limits than is the case with unstored goods the seller can dispose of them when the market suits him, without fear of their losing value, and without the inconvenience of being unable to realize a cash return from them. The buyer of stored goods is not without compensation for his loss of power to force sales. He at least buys in a market materially steadied by the equalization of trade.

In short, the storing function may be said substantially to equalize most of the important elements of "time value" in many commodities. It modifies the whole problem of place value by making the actual location of a commodity a matter of minor importance until the goods are actually required for consumption. It changes the relations between supply and demand by averting such peaks in demand as are due to scrambles for short stocks of goods, or such sags as those due to withdrawal of buyers from overstocked markets. In some cases these changes avert wastes to an extent equivalent to a material increase in the amount of production. The general effect is to raise the price to the producer and lower the cost to the consumer, by the avoidance of waste both physical and commercial.

Storing is thus seen to be not merely a device for the preservation of merchandise against damage or de-

terioration, although that is one of its important services. In addition, it serves as a useful adjunct to the performance of each of the other merchandise functions: assembling, grading, and moving. But, quite aside from these physical results, when employed with skill, and at something like its full possibilities, it serves enormously important commercial ends. It offers a basis for safe speculative trading; it increases the advantage of the buyer at all times by furnishing to him even instead of violently fluctuating price-making conditions; it enables the seller to dispose of his merchandise or to withhold it from the market far more freely than would be possible without it. For the final consumer, in whose interests we may assume this, as well as the other functions to be performed, all of these results, when not neutralized by abuses, may be regarded as beneficial. Waste is greatly reduced, both by avoiding spoilage and by equalizing the relation between supply and demand; dependence on climatic variations is minimized, and life is materially enriched by the preservation and utilization of surplus supplies of material.

It would be futile to ignore the fact that, with all these positive contributions to the economic system, storage has given opportunity for certain abuses. Centralized ownership of supplies, arbitrary and concerted action in keeping merchandise supplies out of the market, speculative exaggerations, all are made possible by storage. But each of these gets its evil character from causes other than the fact that storage is a useful factor in its achievement. In any case, these abuses can, and should be, corrected.

COLLATERAL READING

L. D. H. Weld, The Marketing of Farm Products, Chapter VII.
P. T. Doudlinger, The Book of Wheat, Chapter XII.
T. N. Carver, Selected Readings in Rural Economics, pp. 783–826.
U. S. Bureau of Corporations, The Transportation of Petroleum, pp. 60–62.
C. R. Van Hise, Concentration and Control, pp. 8–20 and 104–110.

QUESTIONS AND PROBLEMS

1. List and classify the storage warehouses in your community.

2. Of the customarily separated items of expense in the retail grocery business how many are the result of performing the function of storage?

3. How and by whom is the storing function performed in the case of sugar, canned goods, potatoes, butter, jewelry, dry goods, drugs and medicines, hardware, fresh meat?

4. What part does storing play in the future trading in commodities as conducted by such organizations as the Chicago Board of Trade or the New York Coffee or Produce Exchanges?

CHAPTER VIII

THE TRANSPORTING FUNCTION

Adjustments of Place

THE commercial function of correcting the maladjustments between the place of production and the place of consumption should not be confused with the phenomena concerned with the mechanical tasks involved in the physical transfer of goods from place to place. What is here under discussion is rather the process of buying merchandise in one place and selling it in another. The existence of facilities for the actual transfer from one place to another may be assumed wherever there are persons willing to undertake the work connected with buying and selling under these circumstances. The transportation industry, however, or the business of transportation, lies outside of, although it is wholly indispensable to, the mechanism for the commercial distribution of merchandise. What is here under consideration is in short the commercial, as distinct from the physical, movement of merchandise.

The carrier who is engaged in physically moving goods seldom takes title to the merchandise he moves; except for its physical preservation he assumes no risk in connection with it, and his responsibility is almost wholly concerned in its safe delivery from one place to another. In many cases, these physical risks, and the

whole process of physical transfer, are assumed by a specialized carrier for a definite price. But in addition to all the work which can thus be turned over to a functionalized carrier there is a large amount of commercial risk, and there are numerous commercial services which cannot be delegated satisfactorily, which become an integral part of the process of merchandise distribution, and which are reflected in the cost of the merchandise as delivered. In some industries these are not of great importance, but in others they become the actual determining factor in connection with the development or location of the industry.

Speaking in general terms, it probably is true that one of the most important factors in determining the industrial development of the United States is the fact that the chief source of the food supply of the country developed at a point remote from the region in which settlement was earliest and most dense; combined with the fact that the movement of this food supply from the Northwest to the Atlantic Coast was across rather than along any system of navigable waterway, except as this was supplied in the form of a broken voyage on the Great Lakes. Somewhat more concretely, it is clear that in certain industries, such, for example, as the Portland cement industry, the difficulties encountered, and the cost involved in the moving of the raw material, fix the location of the manufacturing industry near the raw material supply. Moreover, speaking generally, it is one of the most important factors in industrial location to find an accurate balancing point between the problems involved in moving the raw ma-

terial and those involved in moving the finished product. In other words, in the case of the cement industry, it is to be expected that the factories will be located near the raw material supply, but it is also true that those raw material supplies located within easy access of large markets, as, for example, those of the Lehigh Valley, will develop most easily and most rapidly.

Aside from these general aspects of the problem of merchandise transportation, or the commercial movement function, there is one other of great importance which is more often overlooked in discussions of distribution, but which is of perhaps even greater importance in connection with the distribution of manufactured articles. This aspect is, in short, the way in which the consuming market lies geographically with relation to the distributing facilities designed to serve it.

Graphically, this may be illustrated by adopting the method pursued by the publisher of a nationally circulated magazine for women, in putting before advertisers the advantages of a magazine reaching both country and city population.[1] This method consisted in drawing about the chief cities and towns of the country circles with a definite radius and then indicating the location of smaller places with relation to these. The map of the state of Iowa, for example, shows by this method a remarkably even distribution of population, and brings out some of the typical relations between the population and the distributing mechanism. The successive steps by which a map of Iowa can be drawn in accordance with this idea are as follows:

[1] Woman's World Handbook on National Distribution.

1. By taking a plain outline map of the state and drawing circles with the radius of fifteen miles about the cities having a population of over 25,000 each, a map is produced showing eight circles, three at the Mississippi River crossing points, two at the Missouri River crossing points, one at the state capitol, a little south of the center of the state, and the other two at important railroad crossing or junction points.

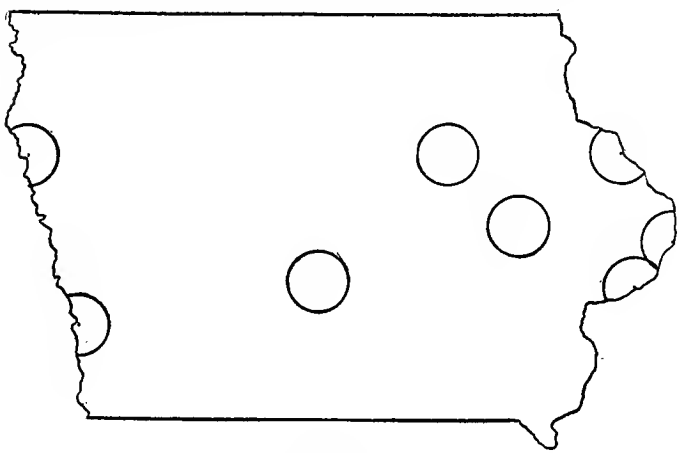


FIG. 2

2. About the 63 towns with a population between 2500 and 25,000 circles drawn with a radius of ten miles, in addition to those of larger diameter drawn about the eight leading cities, cover approximately half the area of the state with circles indicating at least roughly the regions within striking distance of substantial towns.

3. By adding circles with a five-mile radius indicating the 115 towns having a population of more than 1000 and less than 2500 a portion of the state within reach of

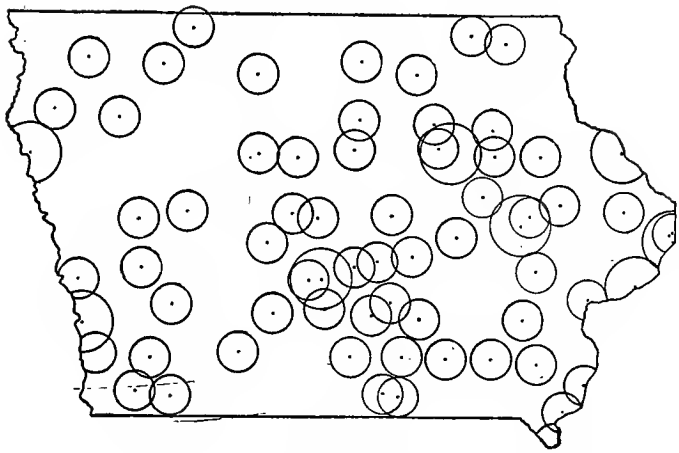


FIG. 3

what might be called medium-size towns is shown, although a very considerable portion of the total area is still uncovered.

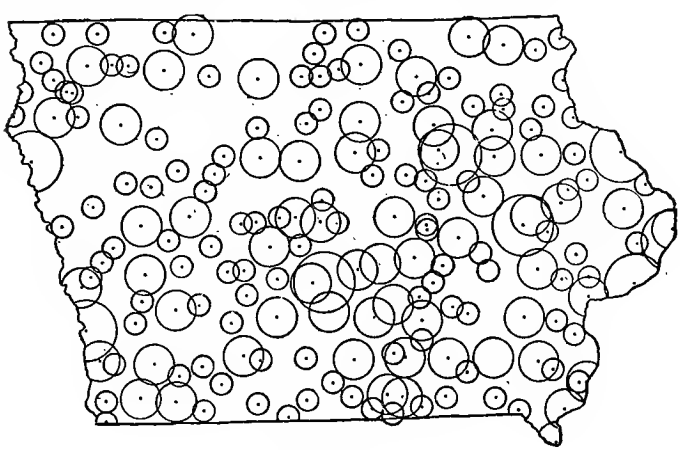


FIG. 4

4. The addition of all the incorporated places indicated by means of dots is the last step in the completion of a map which gives a comparatively clear idea of how a population fairly evenly distributed over an agricultural state is related to the channels through which merchandise is distributed for individual consumption.

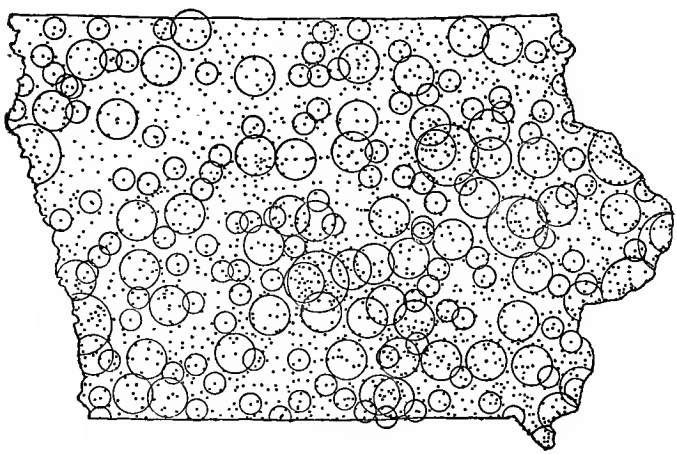


FIG. 5

Similarly constructed maps of the states of Ohio, Illinois, Indiana, the southern half of Minnesota, Wisconsin, and Michigan and the similar agricultural regions of the country show approximately the same con-

ditions. Maps of the same type for the Dakotas and Nebraska show the sharp contrast between the eastern and western portions of the state, while that for New York state indicates clearly how the population and the distributing centers follow the line of the Hudson and Mohawk Valleys. The corresponding map for the state of Alabama, drawn by the same method as that pursued in the case of map No. 3, shows graphically the contrast between northern and southern conditions.

No amount of figures compiled with state areas as a unit can give as vivid a picture of the distributing task in some of the less densely populated sections, as, for example, the Rocky Mountain states, as can be got from maps of this sort drawn for Wyoming, Arizona, New Mexico, or Nevada, each of which shows large areas uncovered by any circles and very little overlapping by the circles themselves.

These maps give a graphic picture of the moving problems involved in distributing merchandise for popular consumption. The successive steps from factory to important railway centers, and thence to tributary population centers of less importance and finally to rural districts are not followed by all of this type of merchandise, but this process of successive moving is that upon which the main activities of distribution are based. For class A merchandise the moving process is in a large measure reversed. Every raw material of importance has its important centers of collection from which it moves step by step toward the factory; but as in the case of the assembling or disbursing process the analogies between the two types of moving

process are close. The underlying function is practically identical.

William H. Ingersoll, in a recent article on distribution, presents this same idea in diagrammatic form.[1] In the course of this discussion, Mr. Ingersoll makes the point that any betterment of the existing mechanism for distributing merchandise can be attained only by one of three methods: 1. The elimination of unnecessary labor in distribution. 2. The elimination of unreasonable or unearned profits customarily exacted. 3. The raising of the efficiency of the distributers. Continuing, Mr. Ingersoll says:

"We may apply these tests to these various forms of modified distribution under trial and we may examine their workings and the actual values they deliver, compared to the values contemporaneously delivered by the ordinary methods, to see if the supposed economies are realized.

"As to the first of our tests we can't fairly judge of the successful elimination of middlemen, held to be superfluous or parasitic, unless we are familiar with the net minimum of work to be done in distribution and the functions and organization necessary to discharge it.

"To distribute goods produced in quantities in a factory or on a farm at one point so that they may be accessible to multitudes of individual consumers scattered over a continent, involves several inevitable steps or stages, as will be shown, and all efforts to reduce the number result merely in a change of form without intrinsic gain, or in the substitution of less direct and more expensive means.

"Let the sketch represent a large, typical area of the United States. A simple and direct statement of the problem is, What are the steps or processes by which the factory represented in the lower left-hand corner can most economically distribute its goods

[1] National Civic Federation Review, June 5, 1919, p. 3.

to the consumers represented by the smallest dots and scattered all over the territory?

"Each of the lettered squares may be considered a large commercial point — called a jobbing center in trade parlance — the hub of a zone, at which supplies are collected and from which they are disseminated to the tributary territory surrounding it. Such centers are typified by such cities as Boston, Baltimore, Atlanta, Buffalo, Pittsburgh, Cleveland, Cincinnati, Toledo, Chicago, St. Louis, Minneapolis, Duluth, Denver, Seattle, San Francisco, Los Angeles, Dallas, and also by smaller points like Portland, Me., Trenton, Binghamton, Erie, Akron, and Des Moines.

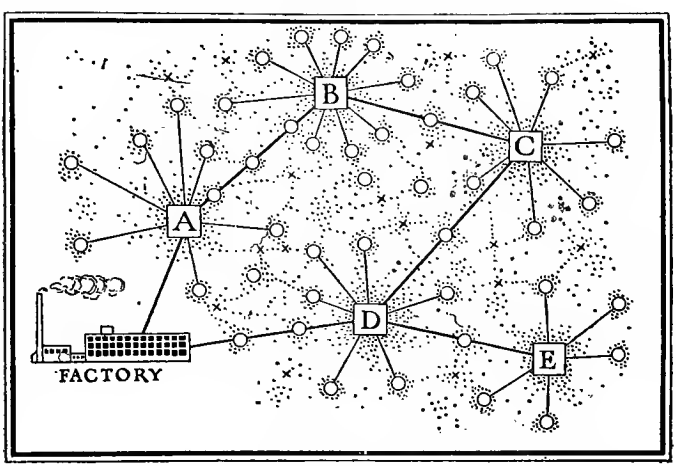


FIG. 6

"The circles represent all other communities not great enough commercially to be business junction points, trade marts, or wholesale centers, but composed of few or many households of consumers. Everything, from suburban towns to rural villages and including the bulk of the towns of less than 50,000 population and many larger, is represented by these circles. No hard and fast lines separate jobbing centers from tributary towns. Relatively small points do a jobbing trade in groceries and other

necessaries, while only large points deal in wholesale jewelry, so that one town may easily be a jobbing point in one line and not in another. But here in the places represented by these circles we have groups or bunches of consumer population to be served as indicated by the dots around the circles.

"But about half the people of the United States do not live in communities at all. They are rural dwellers — people on farms. This is crudely reflected by the dots scattered between the towns.

"To serve these rural residents there are over a hundred thousand cross-roads stores, ordinarily called general stores, but dealing largely in 'convenience supplies' which the country people buy at frequent intervals and in volume not worth waiting to go or send to town for, — tobacco, soda crackers, tea and coffee and sugar, etc., as well as needles, sox, and collars.

"The 'X' marks will serve to remind us of these country stores."

Cases are numerous in which these place adjustments are carried out in a scientific manner by concerns undertaking the distribution of products over a wide area. It is declared on good authority that much of the success of the California Fruit Growers' Exchange has been due to the skill with which it keeps track mathematically of the state of the market for citrus fruits in various parts of the country, and keeps supplies moving in such a way as to avoid either shortages or gluts. The fact that California was 2000 miles from its orange market was thus turned from a disadvantage into a positive source of advantage. By re-routing shipments in transit supply and demand are equalized to a degree not possible under the marketing methods which formerly prevailed. The United Fruit Company also operates a similar system with great success, with marked

economy and profit. In a less complete way shippers of vegetables from the South to the chief metropolitan markets by re-routing shipments from certain division points put supplies where they are needed when demand is strongest. In the case of non-perishables the pressure for accurate adjustment is not so great, but even with them much economy has been effected with attendant profit to producers and distributers. Manufacturers with wide or so-called national distribution frequently accomplish the same results by means of agencies and the establishment of quotas combined with frequent market reports and adjustment of allotments.

This whole field of adjustment of inequalities of place relations is one of the most promising for careful study and for the development of modern accurate methods of marketing.

COLLATERAL READING

Alfred Marshall, Industry and Trade, Book III, Chapters III–VI incl.

P. T. Dondlinger, The Book of Wheat, Chapters XI and XIII.

J. O. Armour, The Packers, the Private Car Lines, and the People, Chapters I, II, V, VII.

U. S. Federal Trade Commission, Summary of Report on the Meat Packing Industry, 1919, Part I, pp. 133–146.

Swift & Company, The Swift Year Book, 1920.

U. S. Bureau of Corporations, Transportation of Petroleum, pp. 36–37, 60–62, 358–360, and 398–399.

QUESTIONS AND PROBLEMS

1. Write a summary of the part played by the pipe lines in the development of the Standard Oil Company, giving particular attention to the marketing rather than the traffic aspects.

2. Compare the place of pipe lines in the development of the Standard Oil Company with the place of the private car lines in the development of the large meat-packing concerns.

3. If the control of the principal private car lines were transferred from the present owners to a corporation owned jointly by a group of produce growers' coöperative societies, in what respects could the consuming public expect to benefit — assuming adequate financial resources and intelligent management on the part of the new corporation?

CHAPTER IX

FINANCING MERCANTILE TRANSACTIONS

THE rapid expansion of the means of transportation and communication has materially widened the area within which it is feasible to conduct banking transactions based on commodities in process of distribution. The elaboration and perfection of storage facilities have also greatly helped not only by preserving the merchandise from deterioration, but also by keeping it commercially "in sight," and under direct control. The great expansion of the use of commercial credit is one of the characteristic developments of the past fifty years which has done much to determine the character of the commercial mechanism. Raw materials on their way to market, goods in the process of manufacture, manufactured articles *en route* to the consumer: all as a matter of practice serve as security for loans of money with which the successive stages in the business are carried on.

In the case of merchandise put into cold storage, for example, it is the rule rather than the exception to secure loans which often are as much as eighty per cent of the value of the stored goods using them as security. So long as they remain in the warehouse, they are reasonably safe from destruction, they cannot pass out of the lender's control without his consent, and they therefore constitute a satisfactory collateral.

In a surprisingly large number of commodities an appreciation of the possibilities of this device for making the conduct of business safer and hence more economical has been slow in coming about. In the case of such a commodity as cotton, for example, it is estimated that the lack of a properly coördinated system of storage and finance probably results in unnecessary charges in the marketing of this commodity amounting to not less than twenty-five million dollars in this country alone. For many years no effort whatever was made to systematize the marketing of cotton. It formerly was a practice so widespread as to be almost universal for country merchants in the South to keep cotton growers supplied with such commodities as they needed throughout the growing season, liquidating the account when the cotton was picked, by taking over the cotton which had been grown and adjusting whatever balance was discovered on either side. The chief exception to this general practice was in the case of Texas, in the newer portions of which the old plantation system never had existed. These sections of Texas were developed by more independent farmers, and it was among them that the farmers' union warehouse system got its start.

Throughout the older cotton-growing areas, the necessities of the under-capitalized growers, combined with the easy-going methods of the merchants, not only offered no inducement to the development of careful methods of marketing, but in many cases actually put a premium on carelessness in handling the crop. As the farmers' union warehouses developed in Texas, however, it became apparent to the more careless cotton

people of the eastern portion of the South that even if storage charges did offset the losses from "country damage," the strategic advantage of the cotton owner who had his commodity well graded and safely stored was very great, in comparison with the position of the cotton owner whose bales were lying out in the orchard or in an uncovered court yard, ungraded and rapidly deteriorating. It was also gradually brought home to cotton growers and country merchants that graded and stored cotton was a safe collateral for loans, while money borrowed on improperly stored cotton was inadequately secured and that therefore loans of this character were more costly. The farmers' union warehouse idea has spread from Texas into Mississippi, Tennessee, Alabama, and the other principal cotton-growing states, until through practically all the more important cotton areas local storage, accompanied by the reasonably safe advancement of money on the crop, is now the rule rather than the exception. At Memphis, New Orleans, and some of the large collecting centers in the cotton belt, improved facilities for storage and modern methods of banking have been introduced for the benefit of cotton merchants. Some of these warehouses are thoroughly modern and fireproof and have resulted in a material reduction in the cost of physical handling of the cotton as well as a reduction in the losses from damage, and they have made possible also a minimizing of the cost of assuming the risk of loss from fire.

For the growers, by the aid of the local warehouses, and for the merchants, by the aid of the large warehouses at collecting points, cotton marketing methods,

and particularly those methods having to do with the financing of the crop, have been greatly improved during recent years. Several efforts have been made to extend this betterment to cover the other steps in marketing which have thus far been only indirectly benefited by these improvements. As long ago as 1900, the company which was working at the introduction of a round lap cotton bale undertook to work out a system of grading, storing, selling, and delivery based on samples drawn while the bale was in process of formation. This method of selling introduced too many new features at once and was not a success. The Farmers' Gin Compress and Cotton Company, introducing a gin compress, furnishes another instance illustrating how any change in the existing system of putting up cotton, desirable as it may be, involves an overturning of the whole machinery of cotton marketing and financing.

In 1909, Daniel J. Sully, who had recently completed a much-discussed cotton corner, developed a plan for a chain of cotton warehouses, the operation of which he predicted would result in a saving of from $150,000,000 to $250,000,000 each year. Mr. Sully is quoted as follows, as to the main features of his plan:

"The backbone of the plan is a chain of bonded warehouses throughout the South, sufficient in number and capacity to house one third of the crop, and that one third, as has been demonstrated, will be the balance of power which will render market congestion impossible, and insure the disposal of the crop in strict conformity with the laws of supply and demand."

The reform of the banking system and the spread of the use of trade acceptances made it possible to im-

prove materially the combination of warehousing and banking plans during recent years. Taking advantage of this opportunity, the cotton-buying committee of the National Association of Cotton Manufacturers in 1918 developed a project which represented another step forward in the attempts to bring cotton-marketing methods to a more economical basis. This plan, as announced by the chairman of the committee, Randall N. Durfee, treasurer of the Border City Manufacturing Corporation, Fall River, Mass., was primarily designed to meet the war emergency conditions which were becoming acute, but at the same time it contained elements which would have a permanent effect on the cotton market existing.

In describing the warehousing and financing features of this product, Mr. Durfee said:

"The proposed locations of these warehouses would probably be at the southern points on the Gulf and Atlantic seaboard from which cotton is shipped, as Mobile, Savannah, Brunswick, and Charleston; points near the manufacturing centers, as New York, Boston, Providence, Fall River, and New Bedford. It is quite essential that proper warehousing facilities be provided at the ports to care for the cotton when it arrives from the interior and before it goes on shipboard. It is also just as essential that warehouses be located near the large manufacturing centers in the East for two reasons:

"The Government wants the crop moved when transportation is available and before winter sets in. The manufacturer cannot buy all the cotton so shipped, as, with the price-fixing on goods, he can only protect his purchases by hedging in the New York market, and many spinners do not care for such protection at all. Under these conditions warehouses must be built to receive the cotton on its arrival. . . .

"With these warehouses in the East, cotton could be moved at once and would be ready when the mills wanted to buy. These warehouses under the United States Warehousing act would be under the control of the Agricultural Department; they would be bonded and licensed; the cotton stored would be graded and weighed and the tickets would be marked accordingly.

"The financing of the year's crop promises to be acute, due to war conditions now prevailing. The South is to-day facing one of the greatest problems in how to finance the crop, and it is assuming national importance. According to good authority, the carryover of this crop amounts to 3,331,000 bales, consisting largely of bollies, boll cracks, stains and lowgrades, all undesirable cotton, on which the banks are loaning. Middling uplands are quoted to-day at 31.10 against 26.50 in 1917, 13.35 in 1916 and 9.25 in 1915.

"Southern warehouses are practically full, and unless some of this old cotton is moved soon, which hardly seems likely, there will be no warehouse facilities for the new crop, and it will have to be stored under temporary shelters and be doubly liable to damage and fire. Present indications point to a crop of between 14,000,000 and 15,000,000 bales, which, with the surplus of this crop, will amount to between 17,000,000 and 18,000,000 bales. Exports this year have amounted to 4,200,000 bales, and domestic consumption to 7,000,000 bales. Unless exports increase for next season a surplus of between 6,000,000 and 7,000,000 bales is indicated for August 1, 1919.

"To finance this amount of cotton and to stabilize prices so as to avoid a repetition of the 'buy a bale' movement demands that we make use of all our resources. At present the banks in the South, and through these banks other banks, are carrying very large loans on cotton, the quality of which is unknown to them. In the handling of cotton the questions of storage and financing are interwoven and equally important. With the system of warehouses, as outlined, the loaning banks would know definitely the weight and grade of the cotton on which the loan was made, as it would have the Government guarantee, as in the case of wheat.

"Furthermore, with the system of warehouses outside of the

cotton States, capital from all parts of the country would loan on these Government receipts and this would relieve the Southern banks of considerable of the burden they have been accustomed to carry. By the use of these warehouses the system of bankers and trade acceptances recommended by the National Association of Cotton Manufacturers, and indorsed by the Federal Reserve Board, would be greatly broadened."

The same principle which underlies this proposed improvement in cotton marketing methods; namely, the principle of making safe the advancing of money on goods in process of distribution, has already been worked out in other forms in many trades. Wheat is perhaps as well financed as any of our more important commodities. A vivid picture of the way in which a live elevator company finances the movement of wheat was given in testimony before a congressional committee a few years ago by a wheat operator from Minneapolis:[1]

"Now, in the first place, when the crop is ready to move — our season is about the 1st of September or the last days of August — we begin to send out our money — I am speaking of elevator people now — to our country elevators. We live, as you know, in the extreme Northwest, on the line of the Northern Pacific and the great Northern and the Milwaukee and St. Paul and all Northern roads that affect the three States of Minnesota, North and South Dakota. We produce 150,000,000 bushels of spring wheat, the bulk of which has to be handled in 3 or 4 months; that is, the surplus over and above the seed, etc., for the States. Now, for instance, in my own business, I can better demonstrate it, because I am probably as large a handler as any one in the Northwest. I furnish money for at least 175 country elevators. They are scattered all over these three States. . . .

[1] Testimony of A. J. Sawyer, Minneapolis, Minn., before the Hatch Committee on Agriculture, February 2–18, 1892, pp. 29–33.

"Now, we commence there and send out, say, for instance, $500 to $1,000 to an elevator; we cannot start on much less than that. That will absorb in my case the first day $100,000 to $150,000. In that part of the country our farmers thrash from the shock. They do not thrash their grain from the stack as people do in the older States of Kansas and Nebraska. When you get into the Northern wheat country you find that they thrash from the shock. We have our elevators so arranged we do not have to sack this wheat, but we have a box arranged that holds 100 bushels, and a wagon pulled by four horses hauls this wheat to the elevators and they drive upon what is called a dump, which is a platform, and when they get that wagon on the platform they touch a lever there and down goes that end of the wagon and they draw up the slide and the wheat drops into the pit. When the wagon goes up, the wagon, wheat, and all are weighed. When the wagon is emptied it is weighed again and the net difference is given over to the farmer and he goes to the elevator and gets his money. Now, our elevators are so constructed that I have actually handled in some of these elevators 1,000 bushels in an hour, sometimes making 10,000 bushels in a day. We are compelled by the railroad company, on whose land our elevators are placed and which we are under contract to protect, to keep our money there and buy this product as it is delivered, and I might say the railroad practically fixes our margin in which we buy. But we can not get our cars in to ship the first day and we will perhaps have 50,000 or 100,000 bushels because these large farmers there will thrash 2,000 or 3,000 bushels a day.

"Now, we have a kind of paymasters through the merchants in the towns in which our elevators are located, and they telegraph at night the quantity of wheat received, and if they do not telegraph they write us so we will get the mail early in the morning. We know what the receipts are and what they are apt to be the next day, and we provide the requisite amount of money for the next day. For instance, if the weather is good we increase the amount of money we send into the country. Now, we order cars there immediately, and they are loaded in carload lots — of course we must have carloads of the same class, as we cannot mix two grades

of wheat — and we begin to ship at once to the highest market. As soon as we get a carload of wheat it is ready to go, but it must be all of one grade, so that necessarily we have a quantity of wheat in our houses which runs up pretty well before we can ship all these different grades. Remember, this money must keep going into the country every day right along. There is no cessation. It must be going there, and we have to borrow this money, a great deal of it. None of us are rich enough to handle wheat in these quantities without borrowing money.

"Then, when the wheat commences to move, it probably takes 2 days to get to Duluth, so, as a matter of fact, we have got 5 or 6 days' receipts on our hands before we begin to realize anything. When we get this wheat to market, either Duluth or Minneapolis — if it goes to Duluth we wire Buffalo — all shippers have agents at Buffalo; I have myself a house at Buffalo, and I have a broker in New York, and most all of the shippers have brokers in New York — and we all begin to sell that property as we call it c. f. i. p., which means cost, freight, and insurance paid. We also send out — that is, I do — cables every night to every market in the world that uses this grade of wheat. If the markets are able to take all our grain, we are even with the market. It is not necessary to have the grain there. We know what we have in the houses and that we have a certain number of days to ship this grain. This wheat goes in there, and we make our charter when we sell this grain. If we are able to sell all this grain, there is no trouble with us at all; we can keep right along and be protected; but as the receipts increase and the markets of the world cannot take our grain it is impossible to take it at the price we are taking. Now, what are we going to do with it? Now, suppose we are handling 100,000 bushels a day, and we can sell in Minneapolis, Buffalo, Montreal, or New York only 75,000 bushels a day — say that is all we can sell. We have then 25,000 bushels left on our hands which we cannot sell, there being no market for it.

"Now what are we going to do with that wheat? We cannot carry this; it is utterly impossible. We have wired the markets of the Old World and can get no response from there. We send them our cable — and I wish to explain that. We send

cable at the close of the market at night to our agents, one or two commission merchants there, to whom we quote cables of the price at which we will sell any reasonable amount they may want. They get these cables and try to place that wheat with their millers. While we are asleep here they are working all day trying to see if they can place 8,000 bushels, a boat load — the reason it is given the name of a boat load is because the boats on the Erie Canal carry 8,000 bushels — if they can place one or two or three or four boat loads there, then they wire back to us and accept our offer. This wheat is delivered there free; we pay the charges of delivery in Europe just the same as in New York.

"If we have the wheat on hand we do not buy any option against our sales made over there, because we have to give them all they want; because if we do not they would go to somebody else, because they have placed it. If they have purchased more wheat than we have got on hand, or will, probably, that day, then we have got to step into the market, and buy an option against the sale made to them. That keeps the channel of trade open between us and the foreign markets all the time, so we are right in there with them all the time, and we are doing that every day, which gives us a chance to place so much of the product of our country every day. As the trade increases we find the railroad company cannot ship our grain. It is not possible for them to ship it. Now, what are we to do in such a case as that? There is only one way to handle it, and that is to sell what the railroad company cannot ship to these gamblers."

This testimony, while old, is so direct and so clearly put that it is here quoted at length. In the main the methods described are still in use.

A similar description of the method of advancing money on merchandise in cold storage was given by a New York dealer in butter and eggs before another congressional committee a few years ago as follows:[1]

[1] Hearings before the select committee of the Senate to investigate wages and prices of commodities, February 24, 1910, Vol. I, pp. 629–630.

"SENATOR SMOOT. How many eggs do you put in cold storage?

MR. KUNKEL. We don't put over a couple of thousand cases.

SENATOR SMOOT. That is, in your own place?

MR. KUNKEL. Yes, sir.

SENATOR SMOOT. How many eggs do you buy to put in cold-storage houses?

MR. KUNKEL. We let the other fellows do it, and we sell them; the country shipper does the most of it.

SENATOR SMOOT. What does a cold-storage house charge by the month for a case of eggs?

MR. KUNKEL. The usual price is, I think, 40 cents; I think it is 40 cents.

SENATOR SMOOT. For what, the season?

MR. KUNKEL. That means up to the 1st of January.

SENATOR SMOOT. And did you say that those cold-storage houses advanced the money?

MR. KUNKEL. They do, through their banks; yes, sir.

SENATOR SMOOT. That is, to whom?

MR. KUNKEL. To the man who consigns that. For instance, you are in Tacoma, Ind., and you ship a carload of 400 cases; you consign them direct to that storage house, and you make a draft on the storage house, whatever they agree to give you, for instance, to-day it is $4.50 a case — I do not think that it has advanced — $4.50 a case, and they will honor your draft, charge you 6 per cent interest for the use of that money, and 40 cents a case to carry those eggs till the first of January. They won't make any contracts beyond that. Then, if you do not dispose of those eggs by the first of January, and take them out, they will charge you 10 cents a month, but the cold-storage people give you that much money on your case of eggs — I think they give this year $5 — I am not sure, but I think I heard someone say they advanced $5, and you pay interest on that.

SENATOR SMOOT. You come in during November or December and sell the eggs on commission for this house?

MR. KUNKEL. Yes, sir; they will say to us, 'Take out a carload of eggs.' The moment we take out 50 cases the cold-storage

people will come on to us for the advance they made that western shipper.

SENATOR SMOOT. That is, the $4.50 a case, and the interest on the money advanced?

MR. KUNKEL. Yes; the $4.50 a case, and the interest on the money advanced and the storage.

SENATOR SMOOT. And you pay that?

MR. KUNKEL. And we pay that to the cold-storage people.

SENATOR SMOOT. And as soon as you make a sale of your eggs you make a return direct to the shipper?

MR. KUNKEL. Yes, sir.

SENATOR SMOOT. And deduct all of those charges, and whatever commission you charge?

MR. KUNKEL. Yes, sir. There is really a net price. They say, 'Handle my goods at 26 cents net or 25½ cents,' whatever that may be.

SENATOR MCCUMBER. And you get what you can get above that?

MR. KUNKEL. Our profit is our distributing facilities to the retail trade.

SENATOR SMOOT. That may be small or large?

MR. KUNKEL. It may be a half a cent or a cent and a half, or it may be that much less. The day we take them out we have got to pay the market price."

This financing function is by no means confined to merchandise of class A. The quotations here given have been introduced to make clear the indispensable character of this service in goods of this kind. Similar services are rendered throughout the distribution system. Elsewhere it has been shown that one of the principal services rendered by selling houses for textile mills is the advancing of money on merchandise in process of distribution, or even in process of manufacture. In the same way wholesalers or jobbers more

often than not finance their retailing customers wholly or in part, and the cost of this service and perhaps a profit charged for rendering it constitute a recognizable element in the final price. The whole system of trade discounts is chiefly the direct outgrowth of the gradation of prices to suit the amount of this financing function required of the seller. The point to be kept clearly in mind is the fact that the capital tied up in merchandise in process of distribution must have its compensation as surely as any other capital. This charge against the goods is an element in the final cost. As surely as the length of time elapsing between the production of the goods and their final consumption becomes appreciable, it must be reckoned with as a continuous element of cost. The fact that commercial credits based on these goods as collateral have become easy and recourse to them common does not necessarily mean that the distributing system has increased in costliness. It simply means that it probably is operating more nearly on the basis of a minimum safe and equitable return for the capital tied up in the goods. The great field for economy in connection with this function is the elimination, or at least the minimizing, of the risks involved as in the cotton-financing plan mentioned, thus reducing the cost of rendering this financing service as closely as possible to the cost of carrying any other loan on safe collateral. In other words, if the cost of capital tied up in goods in process of distribution can be reduced to the prevailing return for capital safely invested, this function may be regarded as being performed at a minimum of expense.

COLLATERAL READING

A. W. Shaw, An Approach to Business Problems, Chapters XVIII and XIX.
P. T. Cherington, The Wool Industry, Chapter VII.
L. D. H. Weld, The Marketing of Farm Products, Chapters IX and X.
J. E. Hagerty, Mercantile Credit, Chapters III, IV, V, VI.

QUESTIONS AND PROBLEMS

1. If a system of warehouses for the storage of wool under government supervision were established at wool centers throughout the central and far West, how would it affect the present methods of financing the wool clip? Answer on the assumption that the difficulties of grading could be met.

2. How are such commodities as leather, tobacco, and others which are a long time in commerce after they leave the producer before the manufacturing process is begun financed during the interval?

3. Jute grown in the Brahmaputra or Ganges deltas is cut and paid for in silver in the late summer. It is carried half around the world and made into bags or twine ten months later. Who advances the silver, how does he get his money back, and how is the financing process cared for, in the normal price of jute?

CHAPTER X

THE ASSUMPTION OF RISKS

THE assumption of risks is one of the most difficult and may be one of the most costly of all the functions performed in connection with the marketing of merchandise. Entirely aside from the tasks involved in the minimizing of depreciation, such as have been discussed in connection with storage, there is the task of making due allowances for those risks which cannot be eliminated altogether, or which, notwithstanding all precautions, cannot be minimized to the point where the cost of assuming them is lost, or becomes negligible, among the other costs of marketing.

In the case of such risks as style hazards, the assumption is deliberately undertaken either by the producer of the merchandise or by some factor in the distributing mechanism, who, after he has taken every precaution possible, takes a gambler's risk in the remaining hazard and presumably makes a suitable charge for it in the price of his merchandise. In the same way many other hazards such as those due to seasonal fluctuations in demand are assumed by some one concerned with the process of distribution or production, and are charged to the final consumer just as are the other necessary costs.

Insurance, which is merely a highly functionalized

assumption of certain risks, is available for the shifting of common hazards which are capable of reasonably accurate mathematical forecast; fire, flood, employer's liability, and other common business hazards are thus usually reduced to a definite basis and cared for at a minimum of cost. Many of the other hazards of business could also be insured against in this way, although such insurance is not at present customary. Ordinarily it is more economical to assume these risks than to insure against them. The premiums charged in cases of insurance against unusual hazards are necessarily high, since it is impossible to secure a sufficient number of data in these cases to serve as a basis for close actuarial calculations. In other words, while insurance companies may be found which will assume almost any kind of commercial risk, the cost of this type of insurance is necessarily so high that it is customary not to delegate the risk to a functional insurer.

From a commercial point of view a device employed in certain types of merchandise which is of relatively great importance is the use of future trading by means of future contracts. In principle a future contract is a document representing goods promised for delivery within a specified time in the future. Such documents, if issued under conditions guaranteeing their proper execution, will obviously have a value which will be in very close relation to the value of the merchandise which it will be necessary to buy for their execution when due. The principle of the future contract is thus seen to be extremely simple. The elaborateness of the mechanism which has been developed for handling

documents of this kind does not alter the essential simplicity of this kind of trading. The elaborate character of the mechanism is largely attributable to the necessity for safeguards covering the issuance and execution of such contracts.

As an example of the way in which future trading might be used for the absorption of commercial hazards, suppose we take the case of a cotton mill which in September has an opportunity to contract to deliver fabric requiring a total of 600 bales of cotton for its manufacture, 200 bales being needed in November, and 200 bales each in February and in May of the following year. On the day in September when the transaction is made, the price of spot cotton, or cotton ready for actual delivery, is, let us assume, 13.50 cents per pound. Obviously the mill, if it wanted to make sure of its mill profit without speculating in the value of cotton, could go into the market and buy 600 bales at 13.50 cents per pound, store the cotton, and use it as it was needed. This, however, would involve the outlay of about $40,500 of capital, which would be without earning power during the entire time the cotton is stored. If the concern has a large capital, and is able to put out its own money in this way, this method of financing the transaction may be adopted, but it is not at all necessary to deal with the case in this fashion while trading in future contracts is as simple as it is.

The manufacturer receiving this offer calling for 600 bales of cotton can by the use of future contracts make a quotation on these goods, or, in other words, may sell "short" the amount of fabric made from 600 bales of

cotton with as much certainty as if he had the cotton all stored in his warehouse, and he may accomplish this without actually owning any cotton until the real need for it comes. This he can accomplish by the purchase at the time the contract is made of cotton contracts maturing in future months, quotations for which he will find as readily accessible as the quotations on spot cotton. For example, in case the spot cotton were quoted at 13.50 cents, he might find futures quoted for future months to his liking for January, April, and July; accordingly he would make his purchase on future contracts as follows:

200 January	12.68
200 April	12.70
200 July	12.75

He could then make his quotation for cloth on the basis of a 13.50 spot cotton price or, at will, on the basis of his future contract purchases with perfect assurance that, roughly speaking, any increase or decrease in the value of the spot cotton he would have to buy when he needed it for this transaction would be offset by a decrease or increase in the value of the future contracts which he bought at the time he sold the cloth and which called for cotton, deliverable to him at various times in the future, at prices which he definitely knows.

Suppose that on or about November 15, he decides to make the purchase of the 200 bales of spot cotton he is to need in November for carrying out the first third of his contract, and suppose that on that day he finds that the price of spot cotton has fallen to 10.70. In that case he would, if he had not bought a future contract,

have been able to make a speculative profit of $280 on the 200 bales of cotton, having been able to buy at a substantially less price than the contract price called for. But, on this same day, he finds that his January future has fallen in value from 12.68, which he paid for it, to 10.31. He thus incurs a loss of $237 by selling his future contract at the time he buys the spot cotton which it covered. This gives him a net gain of $43 instead of a possible speculative profit of $280 which he would have made if he had not "hedged" by means of the future contract.

Again, on January 17th, he decides to buy 200 bales of spot cotton to be spun in February, which he finds to be selling at 12.25, and at the same time he sells for 11.56 his April future quoted at that price on that day. For this contract he paid 12.70 in September, and he thus sustains a loss on the future contract of $114, or a net gain on the transaction of $11, instead of a possible speculative profit of $125.

Finally, on April 17th, he buys his third lot of 200 bales of cotton for May use at the then prevailing spot price of 9.90, and sells his July future at 9.35. Without the hedge he would have thus been able to sell at 13.50 cotton which he was able to buy at 9.90 or at a profit of $360, but against this, there was his loss of $340 on the July future, making a net gain of $20 instead of a speculative profit of $360.

In this case, it is clear that by selling short on the basis of 13.50 in September, and then buying cotton as he could when it was needed, this manufacturer might have made a speculative profit of $765. Instead of

this, however, he insured his price against depreciation of any importance and sacrificed this opportunity for a substantial gain in return for this safety, making only a negligible gain of $74 in the way of speculative profit on a $40,500 transaction. This, of course, enabled him to base his price for the fabric entirely on his mill profit, leaving the speculative profit out of consideration.

In order to realize how valuable this insurance is, it is only necessary to change the figures to show what would have happened in the case of a rising market, and of course it is necessary to keep in mind the fact that at the time the contract for fabric was signed the future was wholly unknown, and could only be guessed at in an exceedingly unstable fashion.

One other point in connection with this transaction is raised by the question why the manufacturer in this case did not simply allow his future contracts to mature and then use the cotton delivered in their execution for producing the fabric he had sold. The answer to this question makes clear the risk-assuming nature of future contracts as distinct from any characteristics they might have as devices to be used in the actual transfer of ownership of the commodity covered. A future contract does, to be sure, call for the actual delivery of a stipulated quantity of the commodity, but in order to make the contract salable in the widest possible market the terms of delivery usually permit the seller to deliver on any day within the month for which the contract is issued, and the rules of the exchanges permit the delivery of a comparatively wide range of grades instead of confining delivery to a specified lot or even

of a specifically indicated grade of merchandise. This latitude in the matter of delivery expands the market for the contract to include practically all users of any merchantable grade of the commodity in addition to the purely speculative traders. At the same time the fact that the contract does actually call for the delivery of some one of the deliverable grades keeps its price in close line with the spot prices paid by those purchasing the commodity for consumption.

The interaction between spot prices and future contract prices, and the interaction between speculative trading and trading for consumption, is a subject too complicated and technical for consideration here. The principal point to be brought out at this time is the fact that this form of trading by making available for purchase a document representing the goods, the price of which must closely follow any fluctuation in the price of the commodity itself, offers to the actual manufacturing user of the commodity almost complete insurance against speculative losses, in return for which his chief sacrifice is an opportunity for a speculative profit. By the counterbalancing of these two speculative features, the merchant profit or the manufacturing profit of the actual buyer or seller of the commodity may be almost completely protected.

The purchase and sale of future contracts has been subjected to much criticism because of certain speculative abuses which sometimes accompany it. The producers of agricultural products in particular have sometimes suffered from these abuses because of their general inability or disinclination to study or master the princi-

ples of market fluctuations. Much has been written about the question whether speculative trading of this kind does or does not materially affect price levels. On the whole it seems to be demonstrated that except in times of abnormal shortage or in rare cases of deliberate "rigging" of the market by large operators who create real or artificial corners the effect of future trading is rather wholesome than otherwise. It tends in normal conditions to make the market more even. It serves to iron out seasonal fluctuations, and to make the open market price at any one time reflect world conditions more accurately than would be possible in a spot market alone. But perhaps more important than any of these effects is the opportunity which future trading gives for securing at a low price practically complete assumption of speculative risks by means of the "hedge."

Wheat is in many respects the best example of a commodity sold the world over in highly organized markets where spot and future transactions are carried on side by side and with beneficial effects on both. A miller, or a wheat merchant, need never speculate in his wheat purchases and sales. He can always insure his mill profit or his merchant profit by means of a hedge as securely as he could by insurance, and this can be done at a trifling cost.

The principle of the hedge as a device for the assumption of commercial risks is capable of much expansion. In the first place many commodities such as wool, now traded in, in this country, almost wholly on a spot basis, could be, and probably will be bought and sold in markets better organized than those now open. More-

over, certain manufactured products can be traded in on this basis.

The recent experiments in the buying and selling of canned goods indicate a growing appreciation of the value of the use of future trading as a risk-distributing device.

COLLATERAL READING

Alfred Marshall, Industry and Trade, Book II, Chapter X, Appendix I.

H. H. Brace, Value of Organized Speculation, Chapters I, II, III, and Conclusion.

P. T. Cherington, Wool Industry, Chapters XI and XII.

L. D. H. Weld, The Marketing of Farm Products, Chapters XV and XVI.

QUESTIONS AND ANSWERS

1. What are the chief risks in the retail grocery business and how are they protected against?

2. In the wholesale grocery business?

3. In the retailing of ready-to-wear suits and cloaks for women?

4. In the manufacture of women's fancy dress goods?

5. List and explain the methods commonly used in caring for the more important commercial risks in handling cotton from the grower of the fiber to the consumer of the cloth.

CHAPTER XI

SALES FUNCTIONS — EQUIPMENT

In our discussion of the elements of marketing, the essential functions were divided, it will be remembered, into three groups, the merchandise functions, the auxiliary functions, and those having to do with the conditions under which the sale is consummated. In the case of merchandise of classes A and B this third group of functions is of minor importance so far as its concrete aspects are concerned. In case of merchandise of class C, however, these functions may be, and indeed frequently are, the most important of all that are rendered. Their importance is large whether it is measured by the cost of rendering the services or by the effect of their performance upon the utility of the merchandise. The individual nature of retail transactions makes the unit of sale in most instances far smaller than the most effective unit for either production or distribution.

All of the phenomena of retailing are modified and most of them are rendered additionally costly by the fact that in their performance consideration is necessarily given to providing suitable conditions under which sales can be made. The essential features of retail equipment are of course comparatively simple, but only in rare instances do they exist in simple form. There is a costly and widely prevalent type of competition among retailers which consists largely in an elaboration of the

chief retailing services and the means for their performance. For example, in a large measure, the competition for the possession of store sites at certain busy corners, which results in the payment of fabulous rents, is in a large measure an unnecessary elaboration of the necessities involved in providing convenient location. Very often these sites are not inherently more convenient than others near by which are much less keenly sought for. In outlining the characteristics of those services which are concerned with the conditions under which the sale is made the three subdivisions enumerated were: (1) Equipment, (2) Personnel, and (3) Relations with the public.

The term "equipment" used in this sense is employed to include all of those features designed to be primarily of convenience to the purchasers of the merchandise in process of transfer. In the case of retail establishments serving consumers who are buying for individual or household consumption this would involve the location, layout and arrangement of the store, the devices for displaying stock, and the actual furnishings or fittings of the establishment. In addition to what has been said concerning wasteful competition in the matter of location, it is obvious that there is a large and in many respects needless burdening of merchandise with costs covering actual fittings themselves. Perhaps the best illustration is to be found in the case of soda fountains. No doubt soft drinks could be very well dispensed from a very simple counter, or, indeed, from no counter at all. It is not customary, however, to perform this retailing service in any such simple form. Competing

dispensers are, by custom, or by the persuasive talents of the sellers of equipment, induced to surpass each other in their use of onyx, mahogany, and plateglass mirrors until it is not uncommon to find an investment of $25,000 or $30,000 laid out in what are for practical purposes wholly unnecessary trimmings. The customary defense for this outlay is that "the public demands it." In a measure it unquestionably is true that the public does go freely to an establishment which is elaborately equipped, but there certainly is room for doubt whether the constant elaboration is a result of an actual public demand so much as it is the result of good salesmanship on the part of soda fountain builders.

In a sense, what has been said of the needless elaboration of equipment in this particular case is true also in many other lines of business. It is indeed a serious question whether that indefinite body known as "the public" has any more confidence in the palatially outfitted modern drug store than it had in the simply equipped apothecary shop of earlier days. We may very well raise the question also whether hermetically sealed groceries are sufficiently more palatable when dispensed from mahogany shelving to justify the imposition of even a small tax for the support of this luxury.

It would be difficult to establish the origin of this expensive factor in modern competition. Probably the advanced ideas developed by department stores in such matters are chiefly responsible. During the forty years when this type of institution was taking its place in the distributing mechanism it became common for

stores to compete with each other in what was called "service" quite as much as in prices of merchandise. The volume of business which these institutions did was so large that at least in some cases the burden was not unduly heavy. Operators of smaller establishments apparently found themselves obliged to imitate their larger competitors, notwithstanding the fact that the volume of sales in these smaller establishments frequently made it necessary to disguise by various devices the added overhead expense. Whether the department stores are responsible or not, it is apparently beyond dispute that modern retailing is loaded up with a large number of burdens in the way of equipment and other forms of more or less useless trimmings, most of which are disguised under the name of "service." The assumption is in nearly every case that the public calls for these services and that they are a necessary feature of modern retailing. The apparent truth is, however, that these burdens have been added little by little as a result of persuasive influences quite outside of any expressed demand on the part of the public.

In recent years there has been a noteworthy growth of a type of institution willing to stake its chances for success on the existence of a public which is willing to dispense with all or at least some of these features. The various economy stores and thrift stores and other types of similar enterprise have as their essential feature the reduction of equipment to as nearly as possible an absolute minimum. One concern operating a chain of groceries, for example, has as its fixed policy a rule never to rent a store on a main street or on the ground

floor. It has found that in every community it is possible to find close to but not immediately on the busiest corner an entrance to a second-floor room which will serve satisfactorily as a place for the dispensing of groceries, and it makes the necessary sacrifice of convenience on the part of the customer one of its principal arguments for patronage. The company, in short, undertakes to show to the customers that by going around the corner and climbing a flight of stairs there is a concrete saving of so much to be made. The success of these experiments in simplified equipment seems to indicate that at least it is not safe to attribute extravagance and a yearning for mahogany and plate glass to all the buying public. The probabilities are that some of the public does want and is willing to pay for wholly unnecessary extravagances in equipment, while a portion of the public unquestionably would be very glad to get along without them, if by so doing they could get their fair share of the saving from distribution costs.

Sylvan L. Stix, in an address before the New York State Retail Grocers Association a few years ago, declared that "There are four classes of buyers and they deal in three general classes of stores — the full-service store, the middle-class store, and the cheap cash store. Class A buyer can afford service and is willing to pay for it. Class B buyer can afford service and does not want to pay for it. Class C buyer cannot afford service, but wants it. Class D buyer cannot afford service and prefers performing the service himself for the saving involved. Now Class D, with part of class B and

class C, is the trade the 'Economy Store' is catering to so successfully, and as it represents a large percentage of the total it seems clear to me that a large percentage of the independent retailers must go on the non-service basis or be driven out of business."

Whether this statement of the situation by Mr. Stix could be established statistically or not, it is evident that there is a growing interest on the part of the public in the general question of what it is getting in return for its money and whether that return is just what it needs and would like best to have. In other words, it seems inevitable that the public should sooner or later test each feature of the distributing mechanism on the basis of its efficiency as a distributer rather than as a preserver of traditions or even as a caterer to commercial habits and customs which are costly.

A notable recent instance of the effort to attack seriously the problem of reducing the burden of dispensable equipment is the development of self-service stores, particularly in the grocery business. This idea is essentially simple, but its actual working out involves elaborate changes in the accepted traditions of store arrangement. A plan of arrangement covered by patents and bearing the incubus of the absurd trade name "Piggly Wiggly" was devised a few years ago by a storekeeper in Memphis, Tenn. This plan has been installed in many cities, and its inventor claims for it a very low operating cost, which under competitive conditions enables the operator to sell groceries to the public at less than the market price. The chief defect in the plan developed by operation is the loss from theft,

partly by customers and partly by employees, on whom the system preserves no satisfactory check. This plan — and all others which aim to cut down the costs of doing business by either eliminating or simplifying the burden imposed by the supporting of equipment costs — is sure to find a permanent place in the marketing system. Many customers are ready to forego "services," some of one sort and some of another, provided they can be sure of securing a fair share of the saving of cost which their elimination represents. The real danger in discussing such plans, however, is the too ready assumption of the position that all kinds of customers can with equal profit make the sacrifice of their own time and energy necessarily involved in their own performance of part of the normal functions of the distributing mechanism. The so-called "regular" system of retailing may still be the most economical system for the use of customers whose time and energy have a high market value. On the other hand, the various new types of retailing, such as have been described, do beyond question serve many other customers at what represents a lower final net cost, even after the self-serving has been allowed for at full rates.

One of the features of the problem of retail equipment is that of the uneconomical multiplicity of stores. A new neighborhood is developed by the opening up of a new tract in a city; as a rule more new stores than can possibly survive at once begin to fight for its trade. In the long run the unfit are eliminated, but it is a grave question whether this is not a needlessly wasteful process. The burden of the failures is a heavy one

and it obviously falls on the consuming public. In Kansas the State Association of Retail Grocers has been attempting for several years to introduce a system of licensing for grocery retailers by which there are provided tests of the fitness of the retailer, and the mathematical demonstration of the need for the store is to be established, for the purpose of keeping unfit men from starting in business and preventing the starting of superfluous stores. By extension the plan apparently may be used eventually for closing up unfit retail establishments. This retail licensing plan has possibilities of real service. Moreover, the plan has some interesting possibilities as means of indirect taxation, which no doubt will lead to its being widely considered. In many local option centers similar ideas used to be employed in exercising control over the retail liquor business. Moral standards were set up and made a means of preventing an oversupply of saloons and of keeping their operations within bounds. With the liquor business gone as a source of revenue, here is an available source of community revenue which at the same time has some promise in the way of toning up the efficiency of the retail trade, much to the economic advantage of the community.

COLLATERAL READING

P. H. Nystrom, Economics of Retailing, Chapters VIII, IX, and X.
W. Sammons, Keeping Up with Rising Costs, Chapters I–V and XI.
U. S. Commercial Economy Board, Economy in Retail Service — entire.
J. W. Fisk, Retail Selling, Chapters V and VI.

QUESTIONS AND PROBLEMS

1. What are the best arguments for and against the establishment of state licensing boards for retailers, whose duties shall include the determination of the economic justification for any new retail enterprise and of the continued existence of established ones? Leave legal and constitutional questions out of consideration.

2. Is the peddler idea capable of wider application to any lines of retail trade in cities? Give full details of reasons for your answer.

3. Articles of clothing and underwear are frequently sold by itinerant sales persons with samples. What are the good and bad features of such a method of sale, from the consumers' point of view?

CHAPTER XII

SALES FUNCTIONS — PERSONNEL

For merchandise of classes A and B it is clear that those features of the sales conditions which have to do with the personnel of the distributing organization are of a relatively simple nature. In the case of class A, the principal requirement is that those who conduct the sale shall possess certain fairly well-defined qualities which go to make up the "good salesman." The relations between employer and employee are almost wholly those which grow out of individual bargaining, and usually the number of salesmen employed by any one concern is so small that the group problems in the relations between the distributing house and this class of helpers have few social aspects of any importance. The main problem is to find salesmen who can sell goods and then to pay them enough to make it worth while for them to stay with the concern. In the case of merchandise of class B, the problems of personnel are somewhat modified by the semi-professional character of the selling operations in certain cases. But even in this case it is only rarely that the problems of personnel are of sufficient importance to become a real modifying influence either in distributing methods or in the costs of distribution.

In merchandise of class C, the case is different. When the contacts with customers are numerous and the

relations with them more or less personal, it is apparent that the qualities called for in a sales person are of such a nature as to have a relatively low monetary value. For example, alertness, respectfulness, courtesy, and such a degree of honesty as is required for the successful operation of a cash register are all admirable virtues, but they are so common that it is hardly to be expected that they will bring a large market price, nor is it likely that with these virtues and few others an employee can, by even a creditable performance of his duties, earn a sufficiently large return for his employer, under the conditions prevailing in retail trade, to justify large pay. It is evident, therefore, that the nature of the transactions involved in retail sale impose on the distributing mechanism certain restrictions with respect to personnel which are difficult to overcome.

These restrictions are evident in the case of both large and small scale institutions in this field. In the case of small-scale institutions, however, the problem is somewhat simplified by the comparative ease with which an employee may master most of the essential intricacies of the business. The intimacy of the typical personal relations between employer and employee in small retail institutions serves to make it much easier to work out a solution for problems of personnel upon grounds which are not wholly economic or sociological. In the case of large retail distributing enterprises, however, the situation is much more complex. The mere fact that the institution is large, and that the number of employees is too great to make personal contact with the employer possible, introduces another group of

problems. Even more important than this, from a marketing point of view, is the fact that in such institutions selling costs, and particularly sales wages, tend to rise year by year more rapidly than they do in smaller concerns. This imposes on the large-scale retail distributer the necessity for working out, far more accurately than is necessary with the smaller store, the relations between selling costs, even the individual efficiency of each salesman, and the volume and value of sales made. For example: a few years ago a department store in an eastern city found that its selling costs had, during a period of ten years, increased by more than 4 per cent on a basis of the value of the retail sales. This led the concern to take various measures for increasing the individual selling efficiency of its sales people. A system of what was known as suggestive selling was introduced, and the sales people were carefully instructed in methods of persuading customers to buy articles which it was not their intention to get when they came to the store. A schedule of credits and commission was set up as a reward for increased sales of this sort; these commissions ranged from 2 to 7 per cent of the value of the sale, the variations being according to the selling wages of the clerk during the previous year. Within a short time sales people who had started at a weekly wage of $8 were by this method raised to a weekly wage of $18, while some made 3, 4, and even 5 dollars a week extra on commissions which were paid to them quarterly on the basis of the gross profit on the merchandise they sold. In some cases the sales person was receiving additions of as much as sixty per cent over former wages,

while the whole department was conducting its business with a greatly reduced amount of sales labor. The net saving in sales wages cost within two years was over one per cent, on the basis of the retail value of the merchandise sold. This is only one method of many which have been tried for reducing the cost of selling, in so far as that is contributed to by the wages of the sales people. Another concern has worked out an elaborate set of standards of efficiency for departments and for individual sales persons, keeping an accurate mathematical record of the percentage of standard sales rate maintained. One concern has even gone so far as to try to work out a standardization of its buying schedule for the merchandise in stock in which the skill of the sales people and their joint ability to dispose of the stock constitute the most important factors.

Quite aside from any social bearing of the problems of the personnel in the distributing institutions of class C, these practical considerations involved in the earning power of employees give large importance to this subdivision of the sales functions. The Boston School of Salesmanship, which is an outgrowth of work established in 1905 by the Women's Educational and Industrial Union, has been the basis for numerous undertakings in various parts of the country designed to improve the personnel of the selling staff in department stores. Mrs. Lucinda W. Prince, who has had charge of this work, has made a national institution out of this type of instruction. The following account of the work followed in this course gives some idea of its general nature:

"The subjects included in the course of study are

those which careful analysis of the selling problem has revealed as most needed by sales people in their daily work. The underlying purpose in the selection of subjects to be taught was outlined in the beginning, under four heads as follows:

"First, to instill a regard for system and to cultivate habits of attention to detail.

"Second, to instruct in subjects which increase knowledge of the stock to be sold.

"Third, to teach the essentials of the science of selling, and to develop in the individual power for self-training.

"Fourth, to teach right thinking toward selling as a profession, to stimulate a sense of responsibility, and to influence toward high ideals of thought and action.

"The term is too short for inclusion of all the subjects that might seem desirable; those that are considered essential are the following:

Subject	*Aim*
Salesmanship	To teach the technique of selling and to develop a professional attitude toward the work.
Textiles — General Merchandise .	To give information about the stock and to develop an appreciation of its qualities.
Hygiene and Physical Education .	To promote good health and develop an attractive personality.
Arithmetic	To develop accuracy.
Store System	To give familiarity with the rules and forms of the store.
English	To develop forceful speech.
Color Design	To train color sense, to set standards of good taste, to develop a sense of beauty.

"Although the immediate aim in all the work is the occupational need, the ultimate aim, as the outlined purpose suggests, is personal development of the pupils and resulting growth in character. As a girl learns to be a better seller of merchandise, she learns also to be a more intelligent buyer, and the training which she receives in courteous service makes her a more gracious and influential member of society. Such subjects as textiles, color, and design are as valuable to a girl in her personal life as in her industrial relation; and arithmetic, hygiene, and English are of practically unlimited application. In brief, the training is intended not simply to help a girl earn her living, but to make the most of her life, by showing her how to make full use of her resources."[1]

The work of this school is merely typical of one method of attack on this problem. In general it may be said that the efforts to improve personnel in distributing houses, whether they are wholesale or retail, fall into three general groups:

1. The devising of a bonus or premium system by which an additional wage is made an incentive for increased sales effort.

2. Education for the purpose of raising the standard of ability of employees.

3. The standardization of instruction for the purpose of reducing error, such as is to be found in manuals and books of instruction for sales people. Many large manufacturing and distributing houses, almost every

[1] Bulletin 1917, No. 9, Department of Interior, Department-Store Education.

chain store, and some of the better organized department stores, have elaborately worked out manuals of this sort designed to supply to the sales person definite instructions as to the best method of meeting any given emergency, and the best way of performing all of the routine tasks connected with the work.

COLLATERAL READING

Wm. McDougall, Social Psychology, Chapters II, III, IV.
W. D. Scott, Influencing Men in Business, Chapters I, II, III, V, VI.
Wm. Maxwell, Salesmanship, Chapters I–IV.
P. H. Nystrom, Economics of Retailing, Chapters VI and VII.
U. S. Dept. of the Interior, Bulletin No. 9 (1917) — Department Store Education.
J. W. Fisk, Retail Selling, Chapters IV and Parts II, III, and IV.

QUESTIONS AND PROBLEMS

1. In what respects do the "employment management" problems of the selling department of an industrial concern differ in nature from those of the other departments?

2. What characteristic differences are there in the personnel problems in the office, factory, and salesroom?

3. Keep a record for one week of the instances in which you are unskillfully dealt with by the representatives of distributing concerns, wholesale and retail, who are those concerns' points of contact with the public. These include office boys, telephone clerks, sales persons, and others. Write out the results in full. Note any cases of notably skillful treatment.

CHAPTER XIII

SALES FUNCTIONS — RELATIONS WITH THE PUBLIC

THE third group of sales conditions — those having to do with the distributive relations with the public — are also of greater importance in connection with merchandise of class C than of the other two classes. The process of retail distribution rests directly on the establishment of a satisfactory connection between the distributer and a considerable number of people. In part this connection may be the result of the successful prosecution of the distributive task. In part it may be the result of deliberate effort to cultivate a friendly attitude.

The small merchant who knows practically all his customers, goes to church and club and lodge with them, has, in short, real human contact with them, knows the value of this non-commercial factor in merchandise distribution. The large store and the impersonal types of retail distributers like the chain stores cannot set up this intimate hold over their trade and have resorted to various devices in compensation. The result has been a huge array of excrescences on the distributing process, as this type of concern conducts it. Rest rooms, free alterations, return goods privileges, style shows, organ recitals, ticket bureaus, domestic science and dressmaking classes, moving picture shows, and personal service bureaus are among the devices which have been intro-

duced by large distributers in the hope of creating a substitute for the good will which personal contact creates between the small merchant and his customers.

In many quarters the feeling has arisen that these efforts have become a needless burden on the process of distribution. One customer of a Boston store writing in reply to an inquiry as to what she thought of these free services said:

"The large number of customers who do not go to the store to play should not be compelled to pay for other people's privileges; a business center should be strictly businesslike, giving the buyer the very best for the least possible cost."

In that statement lies a common sense view of the situation. But the securing of a general adoption of it as a basis for action probably is impossible. In fact it is much more difficult than at first glance it would appear to be to bring about the establishment of thoroughly sound economical relations between distributers and customers. One of the chief disturbing factors in the situation is the fact that when these superfluous things are supremely well done with good judgment, and when they are made the best use of, they apparently justify themselves and pay for themselves as well. Wanamaker's Philadelphia store owes much of its success to its institutional character. So also is the prosperity of the Marshall Field store in Chicago largely due to the atmosphere it has created by the skillful use of non-essential distributive devices for creating good will. Ease and comfort are a feature of retail transactions to a degree that they never were in the days before these and similar stores set the prevailing standards.

In contrast with these justifiable cases of "pampering" the public, many absurd and mistaken instances of unwise retailing done under the guise of cultivating good will could be cited. It is difficult to draw the line between the good and the bad, except on the basis of the relation between the cost of rendering the services and their value to the customers. One department store in New York, for example, regularly delivers all purchases free of charge in its own vehicles over an area half as large as Massachusetts, and at an annual outlay of over $1,000,000. But who is to say whether all free deliveries by the store ought to be abolished or whether if abolished the customers of the house would be benefited? The abuse of the liberal charge account privileges is another object of attack, and in the case of many stores and many customers these abuses are a real drag on the distributing process. And yet the institution of monthly settlements doubtless is in many cases a sound method of sale. Probably the resulting encouragement to overbuying is a greater evil than the charge accounts themselves. But probably more serious as a drain on the consumer than any one of these is the whole policy of liberality and the encouragement to cultivate costly and careless habits of buying. The way these work together is well brought out by the statement recently made as a result of investigating the experience of certain stores in New York and Boston. The inquiry showed that 90 per cent of the charge purchases of certain stores involved free delivery, against 50 per cent of cash purchases during the same time. One third of all charge purchases during the time were

returned against 10 per cent for cash purchases. One large New York store doing only a cash business reports only 5 per cent of its purchases returned. Of the purchases in one large store in one eastern city over a given period under investigation the returns by charge customers amounted to 67.2 per cent of the number of sales; for cash customers 26.8 per cent; and for C. O. D. sales 10.5 per cent.

One large eastern store made an attempt a few years ago to cut down the abuse of privileges which had grown to be a heavy expense burden. The result was a grouping of these services into classes. The first class was marked for elimination, and included concerts, organ music, doormen, ushers, and certain unprofitable departments, including manicure and hairdressing parlors, classes and lectures. A second class was marked for curtailment and included some services which had become too elaborate and others which had come to be greatly abused. Rest rooms, style shows, restaurants, deliveries, return goods privileges, and credits were all materially restricted. Finally certain services were rendered but charged for as nearly as possible at cost. These included alterations, special orders, check rooms, and distant deliveries.

The economies enforced during the war gave a marked impetus to the correction of some of the worst evils which have grown up in this matter of rendering non-essential services. One successful effort to reduce the cost of these services was the plan of coöperative deliveries introduced by the Commercial Economy Board. The first report of the board on the plan said:

"Of the 47 cities and towns studied the board found that the coöperative plan had been a success in 30, a failure in 5, and doubtful as to results in 12, largely because the systems in the 12 places had only recently been installed. These cities and towns are located in 20 different States, and range in population from less than 1000 to more than 200,000.

"In one city of 12,000 population 14 wagons were found to be doing the work which under the old system required 20. One grocer in a town of 4000 had cut his delivery expense from $1638 to $806 a year. A merchant in another town reduced his delivery expense from $675 to $224 a month. Eleven stores in another place reported an annual saving of $5000. In one city 9 wagons replaced 17, and in another 11 men, 14 horses and one car replaced 21 men, 32 horses and 4 cars. The savings generally did not mean less service to the public. In a number of instances the service was actually increased."

As a war-time measure this was a great success. It is perhaps too much to expect that in peace times business rivalries will be laid aside permanently to secure even the obvious economies of such a plan. The participants are too apt to put a high value on the "good will" they derive from delivery in their own vehicles, and the public is too apt to feel that the responsibility for the shortcomings of a coöperative system is difficult to fix.

In the same way many of the other economies in non-essential services which came into effect during the war are already being abandoned. Perhaps the lessons in economy were not wholly lost, but there is little reason to believe that the retailers as a whole or the public in general are ready to abandon these costly attempts to cultivate "good will."

One other important feature of the retail distributer's

relations with the public has thus far been omitted from the discussion, namely, advertising. In this part of the distribution system perhaps more sins have been committed under this name than any other. Whenever any extravagance of equipment or of operation could not be justified on any other ground, it has been said to be persisted in because of its advertising value. One large New York store is said for several years to have charged one quarter of a huge rental to advertising. This is perhaps an extreme case, but it illustrates the burdens which a useful and worthy adjunct to the retail distributing process has been obliged to bear. Excessive delivery cost, charge account losses, and many extravagant errors of judgment have been laid at this door as occasion demanded. Notwithstanding all this incubus, however, real advertising has continued to prove its worth. The news of the store, the acquainting of the public with what the organization has been able to assemble for supplying the public's wants, the creation of a conviction that there is a definite obligation to make achievement equal promises and claims: all these and much more can be put before more people with more telling effect by the skillful use of advertising in its various forms than in any other way. A study of daily papers of thirty years ago compared with the best of those printed to-day furnishes ample evidence of the progress which has been made in the use of this economical and effective marketing device. In the national advertising field the progress toward sound methods has been marked and rapid in recent years. In the retail field a few conspicuous examples of great skill and success show what

can be done. A careful observer can find evidence of enormous strides in this form of advertising even by small retailers. Each year shows progress away from mere puffing and along the road toward making printed appeals render distribution more effective and less costly. During the past five years the gap between national advertisers and the local distributers has been bridged by an increasing number of large-scale producers on the one hand, and by an increasing number of retailers on the other. The contact between the public and the retail outlets is winning recognition as one of the strategic points in the distributing process.

COLLATERAL READING

P. T. Cherington, First Advertising Book 1916, Chapters II–VIII.
P. T. Cherington, Advertising as a Business Force, Chapters VI, VII, VIII, IX, X.
P. H. Nystrom, Economics of Retailing, Chapter XIX.
E. S. Rogers, Good Will, Trade Marks, and Unfair Trading, Chapters VI, IX.
The System Co., How to Run a Store at a Profit — entire.

QUESTIONS AND PROBLEMS

1. For some specific retail establishment work out an advertising plan (in addition to all present efforts) costing not over 2 per cent of a year's gross sales, to be directed at cultivating a friendly feeling for the store on the part of the public. The plan should not cover more than twelve months.

2. Make a floor plan showing present arrangement of stock in some specific retail store, and then plan a new layout designed to make the store a more convenient store for customers without impairing its efficiency from the storekeeper's point of view. The maximum cost of the changes should not exceed ½ of 1 per cent of a normal year's gross sales.

CHAPTER XIV

SALES UNDER BRAND

Of all the results of modern conditions in the field of distribution, perhaps the most conspicuous is the modern use of advertising. By this term is meant not merely the puffing of merchandise, but rather the whole group of efforts made by producers and distributers to modify demand. The only exception to the inclusion of all sales efforts in this term "advertising" is the actual use of salesmen when they employ personal solicitation. Inherently there is no reason why advertising and selling, that is to say personal and impersonal salesmanship, should not be bracketed together under some such inclusive term as "aggressive sales efforts," and clearly distinguished from sales resulting from the merits or utility of the goods as developed by their actual users. Under modern conditions it is difficult to conceive of distribution which is wholly passive, and yet there seems to be no middle ground for satisfactory discussion between completely passive distribution, and that which employs at least some of the elements of active selling, which sometimes are objected to on purely economic grounds as being an unnecessary stimulation of demand.

In all three classes of merchandise which have been under discussion, there is some use of aggressive methods for stimulating consumption and for influencing the course of commerce into one channel or another. In

many instances in the case of classes A and B, the aggressive sales efforts are particularly important because of the comparatively large units in which sales are made. In the main, however, these efforts take the form of aggressive salesmanship, rather than the form of an identification of the merchandise and the use of general appeals in the form of advertising. As has already been shown, however, the form which is taken by characteristic sales in these two classes usually makes it possible to influence purchases more economically by other means. Integration and interlocking directorates thus far have served the purposes of great expansion and control in these fields quite as well as, or even better than, it could be done by anything like a general public appeal. There are certain notable exceptions, as for example, the appeal to the public demand in the case of roller bearings for automobiles, as an example of class A merchandise; and the similar appeal to the public in the case of coal-tar residuum as a material for surfacing roads, which clearly would be classified in class B.

In merchandise of class C, the use of identification for the merchandise and the appeal to the public to buy it by brand has become so general as to be in many lines of merchandise the characteristic rather than the exceptional method of sale. This has been the result apparently of a large number of causes, notable among which are the fact that for this type of merchandise the public does directly exercise its own tastes in making its purchases, and the fact that the instability of the relationships between the factors in the distributing mecha-

nism makes a certain amount of control over the public desirable if not imperative, for most of the distributers as well as for the producer of the merchandise.

For instance, a brief consideration of the single phenomenon of concentrated retailing makes clear the effect on every phase of the distributing mechanism, impelling the distributers to compete with the producer in seeking for control over public favor. Whether the concentrated retailing institution takes the form of a department store, a chain store, a mail order house, a manufacturers' branch retail house, or even a coöperative retail establishment, the mere fact that it is doing business on a more than usually large scale, and is therefore a re-distributing agency in some of the essential functions, makes it desirable to insure a large and reasonably steady volume of business. In his new relations, this enlarged type of retailer finds not only ample inducement in the way of possible widened margin of profit, to be gained by establishing the identity of his merchandise, but he is to a substantial degree compelled to use all his persuasive power to supplement the merits of his merchandise in order to keep his stock moving regardless of the variable influences affecting demand, such as weather, and general social and economic conditions. In other words, regardless of who may make the merchandise, the large retailer's interest lies in making it easy for the public to buy it from him, and if possible, difficult for the public to buy it from his competitors either large or small.

Continuing to examine the effects of concentrated retailing alone upon the custom of identifying mer-

chandise, it is a simple matter to see that every expansion of aggressive sales effort on the part of the large and well-capitalized retailing concerns makes necessary some corresponding effort on the part of the small retailers. Notwithstanding the growth of retailing under unified control, the greater part of the business of the country in the distribution of merchandise of class C, still is, and doubtless must long continue to be, conducted by retail merchants with relatively small capital operating in a relatively small market radius, and doing business on a comparatively small scale. The very fact that in a large measure the first effect of competition by concentrated retailers is to take away a substantial part of these small retailers' more profitable business, makes the situation of these latter even more difficult. Purely passive dependence on the merits of their wares and on their willingness to serve the public will not suffice for keeping their business profitable. They in turn in self-defense are obliged to use aggressive sales methods in an effort to hold as much of their trade as possible and wherever it is feasible actually to carry on aggressive competition against their larger and better financed competitors. This has been the problem of greatest importance to the thousands of merchants in suburbs, small towns, villages, and even country districts.

Wholesalers also find themselves driven to active sales methods by the increase in concentrated retailing; the large retailer becomes the direct competitor of the wholesaler as a buyer. He may even compete with him as a wholesaler; even if the retailer of the

concentrated type still continues to buy through wholesalers, he does it only at the cost of additional concessions in prices or extra discounts. The result is that in many lines of trade the wholesalers find that the cream of their trade is being taken from them by retailers who buy direct, and that what trade is left is increasingly expensive for them to conduct. The stimulation of trade, and the control of demand by identifying the merchandise he handles, are the most easily available means for meeting the new conditions. If by brand or name he can build up a controlled clientele for a given line of merchandise, his strategic position is at once strengthened, both in the matter of buying his merchandise, and in his relationship to the retail trade.

The actual producer of merchandise, like all the other factors in distribution of this type, is driven by the increase of concentrated retailing to defend himself by undertaking to tie customers to himself, and for many lines this is most profitable only when the appeal is made to the large mass of final consumers, rather than to any of the factors in distribution. The most common device for accomplishing this is the use of a trade-mark or other means of identification. In addition to this, however, the manufacturer finds his selling problems complicated in various ways by the introduction of large-scale retailing into the distributing mechanism. In so far as retailing of this type becomes important in any particular market, it becomes increasingly difficult for the manufacturer to cover a satisfactory share of the market by the use of the ordinary wholesaling

methods alone, and yet it is usually not to his advantage to employ in any given market the large retailer exclusively as an outlet. The great difficulty comes in effecting a satisfactory reconciliation of, or compromise between, the conflicting interests of these two methods of distribution. The devices adopted by manufacturers for meeting this difficulty include in some cases control of the distribution process even as far as retailing itself. In other cases, it involves control of wholesaling only, and under still other conditions, an attempt at solution is made by setting up some sort of functional institution for taking care of the distributing end of the business. In any case, two results are manifest. In the first place, it is made clear that a manufacturer's position is not satisfactory under modern conditions if he merely contents himself with keeping his plant going for the sake of whatever manufacturing profit competitive conditions may permit. In the second place, it is clear that he puts himself in a precarious position if he allows the preservation of his market to become dependent upon the retention of the good will of two or three customers, any one or all of whom may decide to withdraw their patronage. Both of these conditions put upon the producer a responsibility of a very weighty character in the protection of his own existence by identifying his name and reputation with the goods he produces. The process of effecting this identification may at times partake of the nature of mere puffing, but it should be much more clearly appreciated than it generally is that under modern conditions the sale of merchandise under brand is at least partly a defensive

and conserving device, rather than an expensive contrivance for forcing wares upon the public.

One feature of the development of brands which is often overlooked is the fact that there may not be direct correspondence between the market covered by the brand and the producing capacity of the manufacturer developing it. For example, one mill's selling agent is said to do an annual business amounting to more than two million dollars a year in a branded textile specialty, whereas the mill has only 400 looms, the combined capacity of which is at most not over two thirds of this amount, and may not be over half of it. Certain manufacturers of shoes also are said actually to produce in their own plants only a portion of the goods sold under their trade-mark, although they do, of course, assume complete responsibility for the quality of the goods thus sold. In this way a manufacturer by the use of the brand may control not only his own product, but he may add to this such a volume of business as may insure the operation of the sales activities at a cost per unit less than could be attained in the sale of the product of his own mill alone.

In the case of some lines of goods, the relation between the manufacturing unit of greatest efficiency and the size of the market which can best be covered shows remarkable divergence. Perhaps the best example is to be found in the case of canned vegetables and fruit. The greater part of both of these commodities is sold under brands controlled by jobbers, retailers, or other distributers rather than by canners. The highly seasonal character of the canning business and the fact that a

comparatively small plant can take care of the raw materials grown over a large area has tended to keep the size of the canneries relatively small. The inevitable variation in the quality of fruits and vegetables produced in any area from year to year has hindered the development of brands by canners themselves. The only safe way, therefore, in which a brand can be developed by canners is for a group of them to unite their efforts, and place a brand standing for the season's highest quality on the product showing the highest grade for the season, regardless of whether it may come from a cannery in region A, B, or C, and also regardless of whether this region coincides with that producing the highest grade of goods during the preceding season.

The difficulties in the way of really large-scale production and the obstacles in the way of a successful large-scale exploitation of a brand by a single canner have led to the assumption of a strong position in the sale of canned goods by wholesale grocers. The wholesale grocer claims that he can adopt and exploit a brand of canned tomatoes, for instance, which will year after year stand for the very highest quality that can be procured. His tomatoes for sale under this brand he may this year buy in New Jersey, next year in Southern Indiana, and year after next on the eastern shore of Maryland, according to whichever region yields the finest pack for the year. Other brands under which inferior grades may be sold may be handled in a similar fashion, guaranteeing uniformity, regardless of the actual source of the commodity. The wholesale grocer points out the fact that regardless of his lack of

direct connection with the canning process, he so completely assumes responsibility that so far as the consumer is concerned, there could not be greater certainty if he actually owned and operated the canneries.

In a measure a similar situation prevails in other lines of trade, although the canning industry furnishes the best instance of a complete lack of coincidence. A large hardware jobbing concern sells full lines of hardware under two well-known brands. In the case of the merchandise sold under these brands, the name of the manufacturer does not appear, and both the retailer and the consumer are presumably as well protected by the jobber's brand as they would be by the name of the manufacturer or by a brand which he controlled. In this particular instance, the lack of coincidence between the factory output and the market shows some curious anomalies. A large number of saws sold under this jobber's brands come into direct competition with saws sold in the same stores under the manufacturer's own brand, and, at least in some instances, the two saws are identical in all particulars except in name. Again the same concern is said to own outright eighty per cent of the stock of a knife-manufacturing concern, which still does business under its own name. The same company also for a number of years had a contract to take all the rubber packing output of one of the largest rubber concerns in the United States. All of these — the saws made by competing manufacturers, the knives made in a controlled factory, and the rubber packing bought on an exclusive contract covering the entire output — are sold by the jobbing house under

brands covering a full line of hardware, which brands they own and control completely.

Instances of a similar kind could be multiplied. One of the best-known brands of steel pen points is a jobber's brand. For a long time a widely advertised brand of low-priced watches was controlled by a distributing house which owned no factories of its own, although in recent years the concern has become a manufacturer through the purchase of manufacturing plants. In the same way, separate jobbing houses developed three brands of knit underwear for women, all of which happened to be made in the same plant and on the same machines.

Numerous romantic stories are told about the way in which the public may be enticed from one line of goods to another, by the use of brands. Probably the most romantic of all is the story of what was a few years ago a widely advertised brand of canned food products. It is declared that this brand was started on a wager between two advertising men, one of whom declared that he could within a specified time develop a brand which could be sold for a stipulated amount of money, regardless of the fact that he had neither a factory nor any established source of supply. Whether the details of this part of the story are true or not, the really significant feature of the entire romance is the fact that after a feverish career in high finance, the brand disappeared from the market. This case serves to illustrate the established fact that in the long run, when there is not an adequate preservation of quality and a protection of the public by the establishment and

maintenance of regular sources of supply and the serious assumption of responsibility, the consuming public is not deceived into a belief in a false relation between claims of quality and the quality itself. Most of the deception seems rather to be a misleading of investors who want to get rich too fast, or a self-deception on the part of the developer of the brand concerning the extent to which the public has been misled. In every instance of great success of brand development, there seems to be a well-defined relation between the claims made for the goods, and the fulfillment of promises made or implied. By this statement there is not implied any general endorsement of branded goods. It would of course be absurd to claim that branded merchandise is all good, and that there is necessarily any intrinsic superiority in such goods over certain unbranded competing lines. The point that is made is capable of defense; namely, that there never has been any signal success in the marketing of branded merchandise over a wide market in which the goods were inferior to the expressed or implied claims of those engaged in exploiting them.

It would of course be futile to enter into a controversy as to the relative merits of individual lines of advertised and unadvertised merchandise. What does seem worth pointing out, however, is the extreme improbability of the public's being willing persistently to buy an inferior article merely on the basis of unsubstantiated claims by the producer. If any cases do exist in which an article poorer in quality than its unbranded competitor has a large sale, while unbranded merchandise of better grade has only small sale, it

seems likely that this phenomenon must be due to something more substantial than bragging by the maker of the article. It is quite conceivable that an inferior article may be sold more widely than a better grade article of the same sort provided it is better distributed. A tire chain, for instance, which may be bought at any garage where the automobilist may find himself confronted by a slippery road, may be no better than, and indeed it may not be so good as, another tire chain not as widely distributed, which on this account may have to be brought, say, from Chicago, instead of being available at the point where it is needed. Nor is it any answer to this fact to say that consumers ought to be forehanded in such matters, and anticipate their needs instead of depending on merchandise being brought to them at convenient points.

The point which it is designed to make clear by citing this particular case is that with which this discussion started; namely, that under modern conditions of living the correction of maladjustments between production and consumption with respect to quantity, quality, time, and place is quite as essential a feature of the marketing task as are the intrinsic properties of the goods in determining the fairness of the equivalent in exchange.

The brand, or other means of identification, serves as a valuable aid to the public in avoiding repurchase of merchandise which, either on account of its intrinsic properties or on account of the conditions under which it is delivered, is not satisfactory. In numerous cases, producers who formerly manufactured goods to

be sold under brands which they themselves did not control have abandoned this policy, and have been putting out goods exclusively for sale under brands which they control. Manufacturers of flour, sirup, packers of certain dried fruits, and others furnish concrete illustration. In some cases the decision to adopt this policy was made originally for the sake of securing the fabulous emoluments which tradition ascribes to the ownership of a brand. In each case, however, it was discovered not long after the policy was adopted that with the emoluments there went also obligations to preserve standards, to maintain effective distribution, and to treat the public fairly in all particulars. The penalty for a failure to meet these obligations was total failure of an irretrievable character. The rapidity and completeness with which the public abandons brands concerning which unfulfilled promises are made, serves as a more effective check against dishonesty or abuse of the public than any form of legislation could be.

Notwithstanding certain undeniable abuses which have arisen in the form of brand competition, among manufacturers who aim to "dominate" a given market, it is clearly beyond dispute that there is room for a substantial amount of competition in certain lines of goods which takes the form of attempts on the part of manufacturers with large resources pitted against each other in an effort to give the public the largest return for a given amount of money, and to do this under a system of identification which will make it possible for each to reap the largest possible share of the compensation for good service, at the same time having him exposed to

the free action of public will in case he failed to fulfill his obligation.

COLLATERAL READING

Alfred Marshall, Industry and Trade, Book II, Chapter VII.
P. T. Cherington, Advertising as a Business Force, Chapters V, X, XI, and XIII.
P. T. Cherington, First Advertising Book 1916 — Chapters I and XIII.
F. W. Taussig, Principles of Economics, Vol. II, p. 428.
A. W. Shaw, Approach to Business Problems, Chapters XIII and XIV.

QUESTIONS AND PROBLEMS

1. Prepare a report on the nature of brand competition in some one line of goods, giving full consideration to the relations between national, jobbers', or other wholesale private brands, retailers' brands, and unbranded merchandise of the same class, and to prices, mark-up, rate of profit, and speed of turnover. The following lines are suggested: bottled flavoring extracts, canned fruits or vegetables, dried fruits, talcum powder, toilet soap, patent medicines or some special class (*e.g.*, tonics), carpenters' tools, automobile tires and accessories, shoes.

2. Record your experience as a prospective customer for some one kind of merchandise advertised by several concerns in some one issue of a current magazine. Note particularly such matters as circular and letter material received and the contacts established with the distributing mechanism.

CHAPTER XV

THE ELIMINATION OF DISTRIBUTERS

Most attacks upon the problem of lowering the cost of distribution of merchandise in recent years have taken the form of attempts to eliminate some one or more of the generally accepted types of functionaries. In a few cases there has been an attempt to eliminate the whole distributing mechanism, setting up a condition under which the producer sells the goods directly to the final consumer without the intervention of any merchant. Generally speaking, however, there has been a recognition in the case of merchandise sold for individual consumption of the desirability of retaining some sort of retailing institution; and in such cases the modification of the distributing process customarily has taken the form of an elimination of one or more of the various wholesalers.

In some instances, this process of eliminating distributers appears to have been carried out with at least a reasonable degree of success. Department stores, chain stores, coöperative buying associations, and all sorts of other enlargements of retail operations which make it possible for a retailer to buy in large quantities, are constantly trying to make their purchases from producers or from as near them as possible. This means in some lines not merely a great reduction in the volume of business conducted through the whole-

saler, but it means that the loss is mainly from the most profitable portion of the wholesaler's trade. This direct buying frequently is referred to as "eliminating the jobber." The increased volume of this so-called "direct" business has made it appear that the wholesaler's elimination is feasible in many cases, and much is said about a "jobberless future." It is seldom made clear, however, that while there is a handful of small retailers left there will be work for wholesalers. Furthermore, those who deal "direct" do not often put much emphasis on the fact that, while the jobber may have been eliminated in their cases, the work which he formerly performed — storage, assembling, financing, etc. — has not been entirely eliminated. Much of it still remains and merely has been assumed by the two remaining parties to the distributive transaction — the producer and the retailer. Nor do the direct dealers dwell on the facts that the savings by jobber elimination sometimes are more apparent than real, and that such savings as are made seldom pass out of the hands of those whose assumption of the jobber's work has made this elimination possible.

In addition to the actual deliberate attempts to eliminate the wholesaler, many changes have taken place in the forms of organization and the methods of work in the various distributing steps. The following account of what has taken place in the dry goods jobbing business makes clear what is to be expected in the way of modifying forms even when there is no avowed intention of eliminating any of the customary functionaries.[1]

[1] The Wool Industry, P. T. Cherington, pp. 140 et seq.

The growth of the ready-to-wear business and the rise of department stores were two of the most important influences bringing about the recent changes in the methods of wholesaling dry goods. There were, however, other influences which should be noted.

The rise of important trading centers in the west and southwest which accompanied the general westward and southward spread of population would probably have brought about great changes in distributing methods even if there had been no other disturbing factors. These developments drew the jobbing business away from New York just at the time when the decline in imports weakened the incentive to stay.

The complicated subdivision of types of woolen and worsted fabrics makes it impossible to give any except general figures as to the relative proportions of importations and domestic production. But it may be said that practically all of the medium and low-grade lines consumed in this country are made here, and that while a much smaller percentage of the high-grade lines is of American manufacture the quantity is large, and has greatly increased since 1894.

A brief statement of some of the more conspicuous aspects of the reorganization of the wholesale dry-goods trade is found in a recent article by one who for a number of years was connected with the business of wholesaling dry goods in New York. This statement appeared *à propos* of the failure of the last of the great general dry-goods jobbing houses in New York City. This type known as the "general dry-goods jobbing house," was formerly the most conspicuous kind of house in the entire dry-goods trade.[1]

In summarizing the early history of this particular concern, Mr. Page calls attention to the fact that Messrs. Buckley & Claflin originally went into business in 1843. One offshoot of this concern was Welling & Company, which afterwards consolidated with George Bliss & Company in the firm of Dunham, Buckley & Company. This firm later becomes James H. Dunham & Co., and still survives as a prominent feature of the New York whole-

[1] Edward D. Page, *The Independent*, July 13, 1914, p. 76.

sale dry-goods business. Now, however, it has assumed more of the aspect of a specialty jobbing house than of a general jobbing concern as it formerly was. The other branch of this original Buckley & Claflin house became Claflin, Mellin & Company, which, in 1863, took the name of H. B. Claflin & Company.

"In the 80's," this writer says, "manufacturers learned the advantage of selling by sample on the road." The causes for this were numerous and complicated. Chief among them was the growth of the western country. There was a great improvement in the efficiency of selling operations conducted by mills. There were fewer bulk lots to be "jobbed" than ever before because mills, by a combination of sale to eastern and western jobbers with an increasing amount of direct sale to large retailers, were able to keep stocks from accumulating. Furthermore, as the large western jobbing houses became stronger, they were able to make effective insistence on their being given an opportunity to bid for such job lots as were offered by the mills.

Another change which told in favor of the western houses, particularly during times of depression, was the fact that the western jobbing houses paid cash to the eastern mills while the New York jobbing houses still exercised their ancient privilege of payment in from four to eight months. This inclined the mills to consider the wishes of the western houses, and even to favor those customers.

Another factor mentioned by this same writer as a cause for the growth of western jobbing trade is that after the panic of 1884 an increasing amount of hand-to-mouth buying by western retailers was necessary. As the western jobbing centers were from twenty to forty days nearer, by freight, than New York, the retailers throughout the West (which was, of course, the most rapidly growing section of the country) transferred their accounts in large numbers to western jobbers.

The decline of the general dry-goods jobbing business in New York is described by Mr. Page, as follows: "At the beginning of the quarter century that followed the panic of 1873, there were some forty concerns doing a general dry-goods jobbing business in the city of New York. At its end there were only five of them

left. Since then the Tweedie concern has retired; the Sweetsers have failed; and Teffts have liquidated; leaving only Claflin and Dunham in the field."

Unfortunately, there is no trade census and, consequently, any figures covering the number of houses in the dry-goods trade in different sections of the country are necessarily incomplete and inaccurate. An approximate idea of the situation in the trade, however, may be gathered from an analysis of some of the directories of the trade which are accepted as being of sufficient fullness to be useful.

These directories, in addition to being incomplete, often have the added disadvantage of not following a uniform classification in all parts of the country. It is difficult, therefore, to formulate a grouping of concerns for statistical purposes. An arbitrary grouping has been adopted, however, and the concerns listed in one of these directories have been enumerated [1] under this arbitrary listing, as accurately as possible in the light of available knowledge, according to their methods of doing business and their form of organization. These figures, though necessarily somewhat inaccurate and incomplete, are submitted in order to give some idea of the geographic distribution of the dry-goods jobbing trade.

Under the heading of *General Dry Goods Jobbers* (in which class has been grouped the type of houses which formerly predominated in the New York market and which grew up in the West under the conditions mentioned by Mr. Page), we find that there were in operation, in 1912, thirty concerns, only two of which were located in New York City, the former general dry-goods jobbing capital of the country. Chicago, in volume of business, is now the center of the general dry-goods jobbing grade, although there are only three concerns in Chicago which belong to this class. St. Louis comes next in order in volume of business, with five houses which clearly belong with this group. In addition to these two chief centers of general dry-goods jobbing, there are such cities as Kansas City and St. Joseph, Cincinnati, Louisville,

[1] Sheldon's Guide to the Dry Goods Jobbing Trade — 1912.

Indianapolis, and Pittsburgh, in which are located practically all of the remaining general dry-goods jobbers. Generally speaking, it may be said that practically all of the general jobbers now left are located in the Mississippi Valley, with only a very few in the Middle Atlantic States, and none at all elsewhere.

Of the *Specialty Jobbing Houses*, selling woolen goods among other lines, the directory gives us a total of 180, 98 of which are located in New York City, and 38 more within a radius of 200 miles of New York City. The remaining 44 are located mainly in the Upper Mississippi Valley, Western New York, Western Pennsylvania, and Eastern Ohio. The growth of ready-to-wear lines and the development of knit underwear have been two of the most important influences bringing about the growth of a specialty jobbing business. The history of one after another of the most successful of the specialty jobbers shows that the start was as an off-shoot from an old general dry-goods jobbing house, building up a business with a line of knit underwear as a nucleus for trade. In this way, line after line of the general trade has been split away from the old general dry-goods jobbing type of organization, and the lines which have been left have naturally gravitated into the hands of specialized houses. So far as it is possible to judge from any data available, this group is the most rapidly growing of all. In New York City this gravitation to dry-goods wholesaling into the hands of specialty houses is almost complete. In Boston, Philadelphia, and Baltimore, it is only a little less advanced proportionately. In Chicago, with some modifications, the same history seems to have begun, for we find here an increasing number of specialty houses each year, most of them starting small, and with a limited number of lines. Only a few of these specialty jobbers pay particular attention to either woolen dress goods or cloaks and suits. A substantial number, however, carry them as incidental lines.

The *Local General Jobber* is the third general arbitrary classification chosen. It is difficult to draw a sharp line between the more important of these and the smaller general dry-goods jobbing house in the first group. Taking the general nature of their available market, however, and the approximate geographic

extent of their trade as the principal basis for division between these two groups, we find 75 houses which may be classed as local general jobbing houses. Of these, 49 are in the Upper Mississippi Valley, at such railway centers as Columbus, Ohio, and in the Central South, at such points as New Orleans, Memphis, and Birmingham, and on the Pacific Coast, notably in San Francisco. One curious feature of the distribution of these houses is that in the area easily accessible to New York, this type of house scarcely exists at all, — the main exception being in the outer edge of this region in such districts as Western New York or Northern Virginia. Local jobbing centers still figure as important factors in the trade. At practically every important railroad center in the Middle West, in the South, and in the Far West, there is a group of local general jobbing houses which take care of the dry goods, notions and specialty trade of the greater part of the area geographically tributary to that center. Some of these houses do a business each year as large as five million dollars, and apparently are conducting their enterprises with considerable skill and at a profit. The service which these local general jobbers and the smaller local jobbers perform is distinctly additional to that rendered by the general dry-goods jobbers, or by the specialty jobbing houses already mentioned. The former may be characterized as local supply stations for the medium and small-size dry-goods houses in their respective districts.

The fourth group, designated as *Small Local Jobbing Houses*, is distinguished from the group of local general jobbers mainly because their market area is smaller, and their total volume of business less. The matter of location has also been a factor in classifying houses in this group, — those located at the minor railroad centers generally being placed here rather than in the Local General Jobbing House group. The small local jobbers who include woolens among their lines number 205. Of these, 64 are located in the Southeast and in the Virginia and North Carolina section, and 55 in the Central South and in the Southwest, thus making 119 located in the southern district or about 63 per cent of the total number. The remaining houses of this kind are scattered through every section of the country. While

they are not as numerous in the districts easy of access to the large jobbing centers, they figure everywhere as an important feature of the trade.

There are a few *Catalog Jobbing Houses* which have come, within the last few years, to figure conspicuously in the dry-goods trade, although most of them have come into the dry-goods business rather incidentally, and not as a part of their original plan. Butler Bros. of Chicago, The Baltimore Bargain House of Baltimore, and Chas. B. Rouse of New York all conduct a certain amount of dry-goods business in this way, and perform what many country dealers have come to feel is a valuable service in offering to them at least staple lines on a mail order basis.

Within the last few years there has grown up, in the Middle West particularly, a new type of wholesale house, dealing mainly in fabrics, and known as a "drop shipper." This type of house possesses no warehouse facilities, and is really an order taker. It works mainly among the medium-sized department stores. The method of operation it employs is to solicit orders from samples, and then to have these orders in carload lots sent to some convenient distributing point at the carload lot rate, there breaking the car into smaller lots and securing a minimum of freight cost from the factory to the store. It also cuts down all storage charges, reduces handling charges, and by offering comparatively full lines is frequently able to give better than regular wholesalers' prices to stores able to buy in case lots.

Originally the mills were able to insist that the orders secured from drop shippers should be of at least unbroken case lot size. With the growing sharpness of competition, however, a good many of the mills are said to have been induced to pack cases of mixed lots. This has caused the regular wholesale customers of the mills to raise rather strong objection to the drop shippers.

This brief summary of the principal forms which modern dry-goods wholesaling has taken serves to show some of the complications which have developed within fifteen or twenty years. In addition to these changes within the trade itself there are the two great disturbing elements previously mentioned — the growth

of the cutting trades and the growth of the large-scale retailers who buy direct. It can thus be readily understood that the market for woolen goods is by no means the well-ordered outlet that it may have been at one time.

These changes in the organization of the wholesale dry-goods trade clearly cannot be attributed to any one simple cause. Underlying the whole process of reorganization are such large phenomena as the opening of the west, the drift of population westward, and the betterment of transportation facilities. Neither the changes within the wholesale trade, nor those which have been mentioned as supplementary to them, such as the growth of large-scale retailers and the development of the ready-to-wear clothing industry, can be adequately explained without a consideration of these larger and perhaps more remote causes.

All of these factors combined seem to produce results more rapidly immediately after times of panic than at any other time. For example, immediately after the panic of 1873 there was noticeable a distinct strengthening of western jobbing houses. The buying done by the local concerns was necessarily closer, credits were shortened, and the advantages of a jobbing house near by were materially enhanced. Approximately the same thing occurred again after the depression of 1884. The stimulation of direct sale by mills which came as a result of this increased strength of the western jobbers cut into the eastern wholesale piece-goods business on one side, while the decline in imports cut into it on another side. The two phenomena complemented each other; the western jobbers were growing stronger, and the eastern jobbers were growing less able to meet their competition.

Another conspicuous factor contributing to the change in the methods of wholesaling dry goods is the general increase in the cost of doing business. Increase in rents, as well as in practically all the other chief items of selling cost, brought the cost of carrying on the business of some of the eastern jobbing houses to a figure which was entirely unsafe. For example, after the failure of one of the few remaining general wholesalers in 1910, it was declared that the figures showed that it had cost them $750,000 to do $5,000,000 worth of business, and it was further declared that this

cost of 15 per cent probably did not represent a maximum in the wholesale dry-goods trade.[1]

Notwithstanding the rising costs of doing business and the decreased strength of the eastern jobbers' position in the handling of a general dry-goods line, the fact remained that about a quarter of the total population of the United States was still directly tributary to New York City. Furthermore, since New York had come to be recognized as the center for style influences, a great part of the direct buying for large concerns in all parts of the country was centered in New York. These two phenomena alone would be sufficient to account for the development of the specialty business which took the place of general dry-goods jobbing.

Again, as transportation facilities were improved and well-defined market areas developed in the west, manufacturing wholesalers grew up at the great railway centers, and local general jobbers at the lesser centers. In the southeast, where the greater part of the country business is still conducted by general stores, the form of jobbing house developed is slightly different from those found in the West.

Notwithstanding the complexity of the organization of the wholesale dry-goods trade of the country, one fact in connection with it appears fairly clear, namely, that the changes which have taken place in the trade have not, in the main, been due to an elimination of the wholesaling function, so much as to a change in the method of performing it. It seems probable that the factory system of production is established as the permanent method for the manufacture of the greater part of the goods handled by the dry-goods trade. On the other hand, the final sales must be in small units, and a large part of them far from the factory. Hence the permanence of the diverse retail outlets, whose task it is to handle many different lines of dry goods and allied commodities, seems probable. With uniform large-scale production at one end of the distribution mechanism, and diverse small-scale consumption at the other end, it seems evident that the function of collecting diverse lines and moving factory products in large quantities

[1] *New York Journal of Commerce*, April 23, 1910.

as far as possible toward the consumer before breaking them up is a necessary and important one. This is the work of wholesaling. It remains to be demonstrated whether it can be as well performed as an incident to either production or retailing as it can be as a separate specialized function.

The central problem in connection with the wholesaling of dry goods, therefore, is not a question of eliminating this or that individual, or type of wholesaler, so much as it is a question of the best possible adjustment of organization to functions.

Among the efforts entirely to eliminate separately owned distributing organizations coming between producer and retail distributer, one of the most successful in this country has been the United Drug Company. This concern is in effect a coöperating organization of retailers which owns and operates factories for supplying a greater part of the component concerns' requirements and at the same time performs its own wholesaling functions without dependence upon separately organized and independently owned wholesale distributers. Quite aside from the personal elements, which have been extremely important, it seems probable that at least one of the underlying reasons for the great success of this enterprise is the fact that it does materially simplify the distributing process and provide for a more accurate adjustment between the necessary functions of distribution and the machinery for carrying them out. The early stages in the development of this concern are particularly interesting, since they illustrate in concrete form the way in which a marketing problem of this type works itself out under ordinary circumstances. The most striking characteristic of this whole development appears to be that the successive

steps were the result of attacks upon the specific trade problems, without any adequate appreciation of the fact that the success with which these concrete problems were met was in a large measure due to the fact that the underlying idea was sound. The cardinal principle seems to have been to preserve the retailer and all that he stood for as an independent distributing outlet; at the same time there was every effort to secure the advantages of large-scale production. Between these two the necessary distributing steps were recognized, but every effort was made to simplify them, make them effective, and to distribute the costs and profits which they involved between producer and the retail distributer. Furthermore, by the ownership of at least a portion of the producing agencies upon which he was dependent, the retailer became the ruling factor in this combined and simplified process.

The later stages in the development of the United Drug Company, particularly the taking over of chains of retail enterprises, represent the working out of a somewhat different principle somewhat less democratic in character. For that reason, this stage in the development of the company will not be considered at this point, but a summary will be undertaken of the principal steps in the development of the company during the first ten or twelve years of its existence.

Until the year 1901 Louis K. Liggett, the originator of the concern, was a traveling salesman for Chester Kent & Company, manufacturer of various preparations, notable among which is Vinol. Vinol is a proprietary preparation widely sold for use as a general tonic.

For a number of years Mr. Liggett had been impressed with the growing seriousness of three evils in the drug trade. One was the tendency of manufacturers to force the retailers to overstock, another was the substitution of the dealer's own preparations for the preparations made by the proprietary medicine manufacturers, and the third was the failure of the retailers to maintain the manufacturers' indicated resale prices. As a result of suggestions as to the wisdom of attempting to get the coöperation of the drug retailers Chester Kent & Company called together a meeting of retail druggists in Boston in September of 1899. This gathering was attended by 31 druggists. No attempt was made to do anything more than to entertain the druggists at this meeting, the hope being that in this way they could be persuaded to become more friendly to the products of the Chester Kent & Company. In 1900 a similar meeting was held in Toledo, Ohio, under the auspices of Chester Kent & Company, and this meeting was attended by 100 retailers. In the following year, 1901, at the Buffalo Exposition there was a meeting of 300 druggists, and at this meeting plans were put before the gathering for the formation of an association to be known as the Drug Merchants of America. The underlying principle of this was to pool the buying power of the Vinol agents at least in respect to certain of the commodities which they ordinarily carried in stock.

In the following year, 1902, this idea had developed into a somewhat different form, and there was called at the Hotel Brunswick in Boston a gathering of some 35 or 40 druggists to consider the possibility of forming a company instead of a mere buying association. This project met with favor among those who attended the gathering, and the United Drug Company was formed with 35 original members. These members chose a subcommittee of seven to draw up plans for a coöperative company under the name of the United Drug Company. This committee of seven together with Mr. Liggett drew up a plan of organization, the nine essential features of which were as follows:

1. The company was to manufacture only for stockholders.
2. There was to be only one stockholder in each town.
3. The company was to make and market at the outset at

least 100 remedies, all of which were to be sold under a single blanket trade-mark.

4. Six of the 100 remedies were to be advertised extensively in season.

5. The first lines to be advertised were to be a dyspepsia cure and a catarrh cure.

6. All of the products except the advertised remedies were to be sold to the stockholders "at such a price as would not net the corporation more than 25 per cent on its gross selling price."

7. No preferred stockholder was to be admitted who had not purchased as much stock in the company as the cost of the first year's advertising in his city.

8. The control of the corporation was to be left in the hands of the druggists themselves.

9. As long as a stockholder owned common stock in the company he was to be a perpetual agent.

The Committee, after having formulated the plan of which these 9 articles were the most important items, presented the project to a meeting called in Chicago in the fall of 1902 to which 40 druggists were asked to come, and at which 34 were actually present. The company was formally organized in November of 1902.

The idea was to start with 40 concerns subscribing $4000 each, thus giving the company an initial working capital of $160,000. Immediately after the formation of the company an abandoned thread factory was rented in Boston and the work of manufacturing was started. On March 14, 1903, the company actually began business with a total of 150 retail druggists as the local stockholder representatives of the concern.

In the work of the first year most of the attention was given to the development of the Rexall general trade-mark and to the selling of Rexall Mucotone, a catarrh cure, and Rexall Dyspepsia Tablets, a dyspepsia cure, in accordance with the terms of the original plan. During the first year or two the main part of the efforts of the company were concentrated on the various remedies called for by the terms of the original plan. From various sources

standard prescriptions were collected, and the company began the manufacture of remedies which were compounded according to the formulæ in the files of the druggists in the form of physicians' prescriptions. These were printed in a book and placed in the hands of each of the druggists selling the products so that there was no uncertainty on the part of the druggist concerning the goods which he had for sale. In this way instead of 100 remedies, as was originally planned, the company soon found itself manufacturing approximately 250 lines of drugs and medicines compounded according to physicians' prescriptions.

The evils in the drug trade which were aimed at by the new method of doing business as adopted were (1) the compulsory handling of goods upon which there was no longer any profit, (2) the compulsory handling of goods of doubtful or unknown contents, (3) the substitution of unknown or poorly compounded goods for those which were being sold under a proprietary name. These were the lines of effort undertaken by the company on the professional side of the work of the druggists. These evils were met by giving to the druggist a line of goods which he could sell with complete confidence because they were made on known formulæ and of tested and inspected ingredients. Moreover no false claims were made as to their curative powers, and they could be sold at a decent profit. On the commercial side the company gave considerable attention to the betterment of the methods of doing business and the elimination of some of the more serious commercial shortcomings of the individual retailers.

The business done during the first year, 1903, totaled about $62,000, in 1904 it was nearly $325,000, and in 1907 it first passed the million dollar mark; in 1910 it passed the two million dollar mark, and since that time it has continued to grow rapidly. Before the chain idea was added there were between 5000 and 6000 Rexall druggists in the United States, about 500 in Canada, nearly 300 in Great Britain, and some in the Philippines and Bermuda.

At the time when the United Drug Company bought out the Ricker-Hegeman chain it was estimated that the Riker-Hegeman

stores in New York did an annual business of about $15,000,000 while the United Drug Company was supposed to be doing a combined manufacturing and retail business of between 30 and 40 million dollars. The United Drug Company of Massachusetts now has an authorized capital of $20,000,000 of which $4,685,000 of common stock and $2,774,000 of preferred stock are outstanding.

The enterprises conducted by the company in addition to the drug manufacturing business include a separately organized perfumery company, a separate candy company, a stationery company, the United Druggist Mutual Fire Insurance Company, and the Drug Merchants of America, which is a coöperative purchasing organization for buying lines other than the Rexall lines to be sold by the merchants who are members of the United Drug Company. The Ballardvale Spring Company, and the National Cigar Stands are among the other companies in which the United Drug has a controlling interest.

The company has done a good deal in the way of standardizing and bettering retail methods. This was accelerated a good deal by the relations between the company and the Liggett Company, which is a retail chain store concern having the Rexall agency in Boston and in several other cities. This company was originally formed as a fighting company to relieve the United Drug Company of the risk of loss from a suit growing out of a controversy between the United Drug Company and the Riker-Jaynes Co. concerning the Rexall Agency in Boston. The Liggett Company has done much to standardize the drug-selling methods, and many of the developments which have been worked out by this company have been adopted extensively by the stockholders of the United Drug Company. These improvements include such items as uniform accounting, standardization of many management problems, the setting of definite store sales quotas and the indication of standard speeds of turn-over for some of the principal departments. For example, Mr. Liggett is quoted as follows, concerning the required turn-over in the Liggett stores, "Soda 52 times a year, candy 20 times a year, cigars 15 times a year, merchandise 8 times a year, total store 10 times a year."

These points concerning the United Drug Company have been cited at length because this concern represents one of the most successful efforts thus far made to recast the process of distribution of articles of class C, while retaining the advantages of mass production on the one hand and of independently operating retail outlets on the other. The organization and operation of the concern are a real step in advance. After various efforts at slavish imitation have failed there will doubtless emerge really constructive adaptations of the cardinal features of the plan to other lines of trade. These cardinal features besides the two just mentioned, the preservation of mass production and independent retail outlets, include such improvements of the relations between the work of distribution and the organization for performing them as are made plain in the sketch of the concern just given. As a whole it is an effective and economical distributing mechanism, impersonal where the work is mechanical and retaining a personal, human side where those elements are of real value.

Not unlike this plan in its principal parts is the form of coöperative distributing organization operated by retail grocers in various parts of the country, notably in Philadelphia. These are in effect wholesale houses and sometimes manufacturing concerns owned and operated by the independent retail concerns whom they serve.[1]

In contrast with this democratic form of solution for the problem of eliminating distributers is the centralized autocratic form to be found in certain chain store

[1] An account of coöperation among retail grocery stores in Philadelphia will be found in the *American Economic Review* for June, 1915.

systems and department stores. The great difficulty encountered in these is the retention of the personal side where that is really desirable. On the standardized, mechanical side, they leave little to be desired. The following account of the manufacturing activities of the oldest of department stores in this country makes this point clear.[1]

"The manufacturing activities of R. H. Macy & Co., it is understood unofficially, are now undergoing a consolidation process which, when completed, will comprise a large-sized factory working on a scientific production basis and making a good deal, if not the most part, of the merchandise on sale in the store. A mechanical engineer has been engaged to take charge of all manufacturing in the house. A 17-story building may eventually house all the production departments.

"At present, it is said, there are some 13 departments engaged in manufacturing and repair work throughout the store, a good number of them located on the eighth floor, and it is estimated that about 1500 of the store's 6000 employees are now engaged in production work, the scope of the manufacturing varying all the way from art objects, china, optical goods, candy, beverages, bread, to garment making. There are repair and service departments too, which do such work as silver plating and polishing, mending of broken articles, reproduction of art objects and antiques and also the alteration work of the garment departments.

"In the case of some kinds of merchandise, the object of the manufacturing department is to make 'Macy's Own Merchandise' marked with the 'M. O. M' trade-mark, at a cost that will enable it to be sold at a profit without the intervention of the manufacturer. In other cases, however, the production department is called in when deliveries are poor, when the right kind of material cannot be obtained on the market, or when an order is left by a patron for goods to be made up in a certain way.

[1] Daily Trade Record, October 30, 1919.

"The extent of the manufacturing activities is by no means small. In the optical department, for instance, the shop is greater than that of any jobber in New York City, it is said. There are some 200 to 300 prescriptions filled every day, and approximately 50,000 lenses made yearly. In the bakeries, some 15,000 loaves are baked daily.

"It has been estimated that each of the 13 departments turns out an average of about $150,000 worth of merchandise a year. How valuable this service has proved to be, irrespective of the profits which may be secured from the manufacturing end in itself, is seen in the silverware department. In other stores, for instance, it is frequently the case that after seeing a sample the customer orders a dozen articles of silverware, for example. These, quite possibly, are a bit shopworn or otherwise unpresentable, and must be sent to the manufacturer to be repolished, etc. In Macy's, however, they are sent upstairs on the same day and quickly put into shape for immediate delivery. Articles that grow shopworn are also periodically retouched so that practically all the merchandise is not only spic and span but fit for sale that very same day.

"This, probably, is one of the objects of the entire production work, to keep in such close touch with orders and to effect such quick turn-over that the surplus stock will be at the minimum and everything on hand of such a nature that it can be sold at short notice.

"The entire manufacturing activities of the Macy organization, it is believed, point to the establishment of a modern factory at no remote date which will be operated on an extensive production basis. In addition to several pieces of property R. H. Macy & Co. is understood to own along 35th street and in Seventh avenue, it has been learned that negotiations have been on for some time to acquire additional property as the site of a factory building.

"This, according to the report, probably will be a 17-story structure and will house a modern factory for the Macy organization. . . .

"The goal that seems to be in view at present is a manufacturing

branch which will mark most of the merchandise sold in the store. Of course, there will always be certain proportions of it that must come from the outside, including imported goods, but a great deal of it can be made up by the store itself, and thus be a material factor in the avowed policy of underselling every other store in the city. Whether this organization will ever reach a stage where it will supply other retailers as well, somewhat in the way Marshall Field & Co. of Chicago do, remains to be seen."

One other noteworthy type of effort to eliminate distributers is to be found in the case of organizations owned and operated on a coöperative basis by consumers. These have had great success in England and on the continent, and many explanations have been offered for the distinctly less successful record they have had in this country. Aside from the social reasons for the lack of success of this sort of enterprise in this country, certain reasons of a commercial character deserve attention, although they are overlooked in most discussions of coöperative retailing. These need little discussion beyond bare statement. Among the more striking are:

1. The lack of well-defined class markets. Most of the successful coöperative enterprises in this country have been among racial groups, like Lithuanians or Poles. Coöperative stores among these in New England have flourished as long as the group remained segregated by language. But as English began to be more readily spoken the groups seemed to lose cohesion and the coöperative stores languished. Among college students, and among farmers, several successful coöperatives are to be found, illustrating again the value of a "class" market for such enterprises.

2. The economy in operation and the commercial skill of chains and independent retailers leave little ground for real economy in operation by coöperative stores.

3. The high market price of high grade managerial brains has been a difficulty in the way of coöperative store success. This sort of talent must be secured to make the competition by cooperative stores effective, and one store is seldom able to bear the necessary overhead expense which this involves. A chain of coöperative stores operating its own wholesale department might be able to overcome this obstacle, but the difficulties of organization and management are great.

4. Coöperative stores owned by consumers normally start in a small way and seldom are able to command during the years of their early development either the capital or the credit necessary to enable them to compete economically with some of the large and well-financed retailers operating for private gain.

Some of the more striking difficulties experienced by the coöperative marketing enterprises conducted by consumers are thus described in a report on the subject, "Why Coöperatives Fail," by Dr. E. H. Porter, of the New York State Market Bureau.

"Farm produce on its way from the farm where it was raised to the inhabitants of the cities," says the report, "passes through countless hands, each of which performs some service for which remuneration is exacted. Consumers' Clubs as outlined are based on the fundamental principle that some of the service, if not all, can be performed by club members for themselves at a reduced cost, thereby decreasing the cost of distribution.

"Some clubs are satisfied if the reduction of cost is apparent rather than real; that is, they are content to reduce the cost of distribution by performing some of the operations themselves. They admit that they have not eliminated any of the functions performed by the distributer, but are simply performing them for their own benefit. The consumers' club becomes a distributer as well as a consumer. To carry this idea to its ultimate conclusion, the consumers' club becomes a grower as well.

"This is not beyond the realm of possibility but is actually the case with the Rochdale stores in England. The Mormon system

in Utah and the Ebenezer community in Iowa are modified plans of this type. The diversified social and religious principles of the inhabitants of the average American city and the utter lack of a common cause, to say nothing of the cosmopolitan nature of customs, habits, and ideals, prevent any comparable coöperative movement at the present time.

"The nearest approach to any such system is the common chain store. Whether the chain sells cigars, shoes, hats, confectionery, clothing, meats, fish, groceries, prepared foods (delicatessen), prepared foods (restaurants), hardware, articles worth five or ten cents, or dairy products, does not materially alter the principle involved. The chains are based on the idea of combining under one head all the functions of distribution except delivery from the retail stores to the consumer, which they permit the consumers to do for themselves.

"They have not attempted to be producers, but they import raw materials, manufacturing the raw materials into finished products, operate factories, store their product in large warehouses both cold and dry, pack their own fruits, jams, and vegetables, operate milk condenseries, bake bread and cakes, roast coffee, compound drugs, and perform various other activities. The buying agents of these chain systems are scattered in every quarter of the globe looking for opportunities to bring products from producers to consumers. They are the real distributers.

"Unfortunately these chains have not been able, or at least have not undertaken, to distribute perishables with the same degree of thoroughness that characterizes the more staple and non-perishable or semi-perishable products. It must also be definitely understood that these chains do not perform all the operations of distribution for all products.

"It is true, however, that they perform all the functions of distribution for a few products and most of these functions for many products. There are chains that buy eggs, for example, direct from the producer and perform all the functions of distribution from candling and cold storage to retailing, and there are chains that import their own coffee, roast and pack and grind it for the consumers, or even go so far as serving it in their restaurants. In one

respect at least they perform all the functions except consumption. They produce their own milk on their farms, from their own cows, and deliver it to the consumers.

"Another type of distributing agency that performs all the functions of distribution, though usually omitting the process of farm production, is the common mail order house. Here again perishables must of necessity be eliminated. Mail order houses do most of their business in sparsely settled districts where there are no retail stores and where credit cannot be obtained, while chain store systems are most successful in congested districts where the population is very dense.

"Coöperative stores operate under the privilege of a charter and use capital that has been subscribed by consumers. Stores are operated somewhat on the chain store plan. No attempt is made to undersell the chain stores but the profit is divided in the form of dividends on the pro rata basis according to the number of shares held and the amount of the goods purchased.

"Coöperative stores are successful in industrial centers which are removed from the large centers of population where a variety of amusements is not available, but where the people are clannish, are employed at trades more or less alike, and in general where the habits and ideals of life are more or less similar.

"Since the conditions just described for the coöperative stores are not found in New York City commonly, it is doubtful whether these stores will ever meet with favor there. Instead a tendency is manifest to operate a consumers' buying club. It is a strictly business proposition. It is primarily a movement with the object of reducing the high cost of living by coöperative effort — an effort based not on the elimination of the functions of distribution (because they cannot be eliminated) but on the performance of some of these operations by the individuals themselves. It is a movement of themselves, for themselves, by themselves. By operating on the cash and carry basis they either eliminate or perform for themselves such items of the distributing expense as telephone charges, losses due to bad debts, delivery charges, buying charges, profits, and advertising expense.

"In order that a consumers' buying club may succeed —

whether it is an adjunct to a social or fraternal organization, whether it is fostered in a factory by a manufacturer or operated as a part of a system of banking for the benefit of employees, or whether it is an organization of a group of consumers in a given district of the city — it must be founded on sound principles of business economy. No one will care to deal with an irresponsible organization. In the case of clubs within a manufacturing plant or a banking concern it will be comparatively easy to secure the coöperation and financial backing of the employer, but it will be almost imperative for the ordinary consumers' club to get the money together in advance."[1]

The obvious conclusion from an examination of these more conspicuous efforts to eliminate parts of the distributing mechanism is that mere elimination of one type of functionary or another does not insure either better or cheaper distribution. Modern conditions of production and consumption impose certain complexities on the distributing process. In cases where these complex supplementary functions can be dispensed with, direct marketing is both possible and desirable. In the great mass of marketing, however, the problem is not one of doing to death one form of distributer or another, but a careful and systematic separation of necessary from superfluous functions, with a foregoing of those which are not needful, and a deliberate, painstaking adjustment of the mechanism to the most effective and economical performance of those functions which are indispensable. The first step in this is a fuller and more accurate study of the costs of merchandise distribution than hitherto has been available.

[1] *New York Journal of Commerce*, March 31, 1919.

COLLATERAL READING

Alfred Marshall, Industry and Trade, Book III, Chapters VII and VIII.
A. W. Shaw, An Approach to Business Problems, Chapters I, II, VII, XI, XIV.
A. W. Douglas, Merchandising, Chapters I–VII.
C. C. Field, Retail Buying, Chapters IV, V, IX.
P. H. Nystrom, Economics of Retailing, Chapters XIII, XIV, XVI.
P. T. Cherington, First Advertising Book 1916, Chapter VII.

QUESTIONS AND PROBLEMS

1. From the viewpoint of the interests of the consuming public, discuss the following quotation from a New York daily paper:

". . . From the standpoint of the manufacturer, the chain systems are acquiring a magnitude of outlet which makes it highly imprudent for him to refuse to sell to them. In Philadelphia the chain stores are, if anything, more attractive as an outlet for a manufacturer than the jobbers and their satellite independent retailers. In fact, one large manufacturer who recently went into that market with his product openly elected to use the chain stores, buying exchanges, and less than a quarter of the jobbers, the others being, in his opinion, unnecessary to accomplish his purpose.

"It would appear, therefore — and this is provable by ample facts — that the chain store is a menace to the manufacturer, the jobber, and the independent retailer alike. Yet, it is legitimate in itself and a logical evolution from the principle of quantity price. If a manufacturer will sell a large quantity at a lower price than a small lot, the chain store can sell its own goods more cheaply than the independent with one store, and can sell them in unfair competition with that independent. And when the retailer is driven out of existence, what shall become of the jobber? Instead of 3000 jobbers in the country and 350,000 independent retailers,

it is conceivable that we might have half a million small chain stores and less than a hundred managements, or one, for that matter.

"It is undeniable, therefore, that the chain stores, despite their legitimacy, are a 'monopoly in the making.' If they are desirable, why have anti-trust laws? Why not let the logical evolution of monopoly go forward? If they serve the consumer any better or more economically than independent stores, why consider the rights of business at all? The public mind nowadays shows a tendency to laugh at the rights of any business factor who stands between them and their food supply; to ride roughshod over competitive fairness or even sound business principles, so long as they can get cheap food. . . ."

2. A marketing division of the Post Office Department has been proposed. Its purpose is "to promote direct trading" between producers and consumers of farm produce by means of the mails. The following argument is advanced in its favor:

"At this time about 90 per cent of the world's wholesale trade is done through exhibition of samples, which the buyer bears in his mind. Then come the orders by lot numbers and orders by telegraph and 'open' orders — all with no higgling or haggling, and never in the world was wholesale business better performed. And in the retail small purchases, especially of food products, how many housewives nowadays go to the market with market baskets on their arms and pick out their own meats and vegetables?

"So we see that the time is here for 'ordering,' but the true way to order, the most economic way to order, is from 'first hands,' and this applies especially to food products. In the distribution of food products, if the efficient mode of selling and buying be in operation, it gives the equities both to producer and to consumer. It does more; it frees the farmer from the vexations and pernicious laws of chance, hence from injustice. With chance and injustice eliminated from exchange, with the rule of efficiency and equity in its place, it will not alone make the farmer economically stronger, but it will do more; it will make this nation stronger and mightier than mere fighting ships or soldiers can make it, although these, too, should be had when wanted."

(*a*) Do you agree that the argument here advanced in favor of the plan is valid? Give reasons in full.

(*b*) In which of the following cases, if any, would you favor the project:

(1) If the assistance were in the form of a brokerage service without charge.

(2) If the assistance were in the form of brokerage at 1 per cent of the value of the products.

(3) If the assistance were in the form of outright purchase and sale in the form of a federal mail order establishment.

CHAPTER XVI

SIMPLIFICATION OF FUNCTIONS

THE changes in methods of production and in the organization of industry during the past fifty years have had an effect on marketing methods which has in some respects amounted to a complete revolution. These causes have not, however, been more important factors in bringing about the changes than the modifications and conditions of consumption have been.

The change of conditions in consumption is difficult to measure statistically; and yet any other measure than a statistical one is obviously misleading and untrustworthy. Nevertheless some indication of the nature of these changes in conditions of consumption which have had a direct bearing on the mechanism of distribution may be worth enumerating, in order to render more definite than it otherwise could be the real meaning of the term "changed conditions of consumption," which it will be necessary to employ frequently.

In 1880, the population of continental United States was approximately 50 million. By 1910, this figure had practically doubled. In 1880, 4 million of the population was accredited to New England. In 1910, the population of New England was 6½ million, showing a rate of increase for this section of the country approximately half as rapid as that for the rest of the country, notwithstanding the fact that New England retained

its leadership in many large manufacturing industries. In 1880 one third of the population was classed as urban, — living in incorporated places of 2500 or more. In 1910, practically one half of the population came in this category. The railway mileage of the country, which in 1880 was 93,000 miles, had increased in 1910 to 243,000 miles, an increase substantially more rapid than the increase in population. The number of passengers carried one mile in 1880 was 8 billion; in 1910 it was 32 billion, an increase approximately twice as great in proportion as the increase in population. In 1880, there were 3700 miles of street railways operated by horses and cables. By 1910, the horse and cable lines had decreased to less than 1000 miles, while the total street railway mileage of electric lines was over 16,000 miles, or substantially more than four times as much electric railway with its larger carrying capacity as there was of horse and cable line thirty years earlier. In 1880 there were 100,000 telephone subscribers. In 1910, there were 6,600,000 or 66 times as many. The number of newspapers and periodicals increased from 11,000 in 1880 to approximately 22,000 in 1910, thus showing an increase approximately equivalent to the population increase. The circulation of these magazines, however, was multiplied by five instead of two, the combined figures having been from 31 million to 164 million in the two years under comparison. Finally, the percentage of illiteracy decreased from approximately 17 in 1880 to about 7 in 1910.

These figures, inadequate as they may be, make it evident that during thirty years when the population

was doubling, there were taking place modifications of its facilities for conducting the business of living which had a definite and very large bearing on what it had reason to expect from, and what it was likely to demand of, the mechanism existing for satisfying its daily wants. For example, the radius of sale of a clothing store, or a dry goods store in a community served by a low-fare rapid-transit system is far greater than that of the type of store whose customers must reach it either by walking or in their own conveyances. Moreover, the telephone with its possibilities for satisfying individual wants "in absentia" has put an entirely new face on the value to the consumer of an accessible location for retail establishments of many kinds.

If figures could be obtained showing accurately household conditions, these would probably be even more striking as indication of new conditions of consumption. The increased number of families living in apartments, the decreased amount of storage space available in private houses, the expanded use of electricity, the augmented rate of wages for servants, and the declining number of servants kept per family, are all subjects upon which figures of an extreme significance in the processes of distributing merchandise might be collected if facilities were available.

One other thought in connection with consuming conditions is worth noting before entering upon a discussion of the efforts which have been made in recent years to readjust the processes of distribution to the better performance of the marketing tasks. This thought is the fact that there is no likelihood whatever that the

present conditions are final. Many of the electric railways in the United States, for example, have been obliged to confess their inability to continue five-cent fares under existing conditions, and with their present capitalization. If this involves only an increase in fares, it means some modification of the old conditions of long rides, frequent service, and low fares, upon which the department stores depended for their great and extremely rapid development. If these conditions involve even more serious consequences in the way of an actual abandonment of lines, the significance of the change will be even greater. The fact that 500 miles of electric railway were abandoned in the United States during the year 1918–1919 seems to give some evidence that this problem may become a pressing one reasonably soon. In a somewhat similar way, the cheapening of the price of automobiles may have a very large effect on the distribution mechanism; and some large step in the cheapening of liquid fuel, as, for example, the adequate substitution of vegetable alcohol at 8 cents a gallon, for gasoline at 32 cents, could also be expected substantially to affect the distribution of population, its habits of living, and, therefore, the conditions under which it makes its purchases for individual consumption.

These points have been made for the purpose of reiterating what has repeatedly been brought out earlier in this discussion; namely, the absurdity of assuming that any particular form of distributing mechanism can be permanent under conditions in which both production and consumption are undergoing radical change. They serve also to emphasize the fact

that in addition to the service of effecting a change in the ownership of merchandise, the distribution mechanism performs a group of well-recognized supplementary functions. Moreover, it makes obvious the additional fact that the nature of these functions is constantly undergoing change.

If we grant that so far as economy is concerned large-scale production has certain characteristic advantages which are not to be denied, and if we recognize the additional fact that for all transactions which we have arbitrarily grouped into class C, the final sale must be made on a scale to meet the requirements of the final consumer, it is obvious that there must be somewhere between the two a point up to which there will be advantages in large-scale distribution, and beyond which the merchandise cannot satisfactorily be moved in large lots. It seems highly likely also that in many cases there will be more than one step in the distribution process, or in other words, the scale of distribution which will be most advantageous for taking care of the output of the factory may not be capable of being reduced immediately to that scale of operations most advantageous for meeting the requirements of the consumer.

So far as the quantity in which the goods are moved is concerned, there exists a genuine distinction between the wholesaling and retailing steps in the distributing process. Similarly, it could be shown that in each of the other functions which have been classified as merchandise functions; namely, those having to do with quality, time, and place, there are steps in the

distribution process which call for rather sharp differentiation; and an examination of the existing forms which have been developed for taking care of these shows that there has been in times past an attempt to work out functionaries organized for the economical performance of these separate tasks. Apparently, one of the great difficulties of the marketing system as it exists at this time, is the fact that while the functions have been undergoing change either in emphasis or in actual form, the functionaries have not adjusted themselves readily to the new conditions.

For example, it seems to be a serious question whether the retail store in the form in which it exists in such lines as groceries is at all well adapted to the economical handling of all the lines of goods which have been thrown into the grocery category. It is a question, also, whether it is a safe assumption that all types of customers can be equally well served by the same type of grocery store. Notwithstanding all the recent agitation in favor of the elimination of the charge account, free delivery, and telephone-order features of the grocery business, it seems likely that there is a very substantial portion of the grocery buying market to whom these services are among the most valuable that the grocer renders. In a household where there are young children and where there is not more than one servant, it probably would be the most expensive kind of economy for the housewife to leave the household either uncared for, or in the hands of some specially hired person, so that she might go to market and by personal inspection buy that type of goods put up in sealed packages and guaran-

teed by their makers so that inspection before purchase is neither possible nor necessary. In the case of meats, green groceries, and articles of that kind she might by personal purchase secure sufficient advantage to justify the sacrifices necessary for a personal visit to the store. But dry groceries and package groceries obviously can be bought by this type of customer by telephone quite as well as on personal inspection, and delivery costs would have to be very high in order to be above the cost to her of going to the store for these purchases, and the inconvenience of carrying them home. These statements, in this particular case, apply to only a portion of the total stock of the ordinary grocery store, and only a part of the market. They do serve, however, to raise the question whether the existing forms of grocery retailer and the existing agitation for changing in methods of selling groceries give as much attention to the performance of the functions of marketing groceries as to the preservation of certain widely accepted grocery traditions and forms.

Suppose, for example, a grocery concern should undertake to sell staple groceries without any retail store and without any sales force. Suppose instead of having a store it should have only a warehouse favorably located on a railroad and should do all of its selling by telephone. Would it not be able to render the valuable services to the consumer and dispense with the valueless items of high rent and high sales cost?

To continue further the description of this hypothetical grocery house, suppose it issued a monthly price list with weekly supplement in such lines as were neces-

sary; would it not be possible for the consumer to make practically all her purchases intelligently from the description and by telephone? Moreover, the question of trade-marked articles and fixed prices could be very satisfactorily dealt with by dividing the monthly catalogue into two parts, in one of which the trade-marked and fixed-price articles would be listed, and possibly illustrated and offered for the regular retail price; while the second part of the catalogue would show the lines which the concern could develop on its own account, and which it could offer for sale at its own prices, giving to the consumer such portion of its savings in operating cost as either its own desires or the pressure of competition might suggest.

A competent corps of telephone order takers could handle a huge volume of business at a very low cost, and all deliveries could be made on schedule, the total cost for all services rendered to the consumer being materially reduced as nearly as one could predict.

Such a plan as this may or may not be feasible, but at least it suggests a method of attacking the cost of doing business in this particular line of goods at two points where this cost is most worth cutting.

The method of solution of the high cost of retailing which has been outlined for standard grocery lines would not apply to many other lines. It might not apply to any. But such a plan as this does put before us in concrete form the question as to what it is that the consumer pays for when he buys. In package groceries bought in a retail store he pays, obviously, for much which he does not use. Probably in other lines of

groceries he secures much for which he does not pay adequately. But is the proper solution the cutting off of the valuable services, rather than a better adjustment between the price and the service called for and actually rendered?

From the point of view of the grocery trade, there may be some advantages in trying to eliminate certain of these expensive services which do not yield a direct profit. Under competitive conditions, it may not be possible usually to pass on to the consumer, in the form of extra charges for the goods or even in direct form, the cost of rendering these services.

As far as the consumer is concerned, however, it seems doubtful whether there ever will be a satisfactory solution of the problems involved in the rising costs of distribution until the problem is attacked primarily from the consumer's own angle rather than from that of any of the existing functionaries. Essentially, the real task is to effect a change in the ownership of merchandise in exchange for an equivalent, accompanied by the rendering of such distributing functions as are desired and may be worth the necessary cost of their performance. In the long run, the preservation of commercial traditions cannot be justified as a basis for additional distributing costs. The distributing mechanism will be obliged to adjust itself accurately to the task of performing with the utmost economy those marketing functions which have real value to those who finally pay for them. Nor is it going to be possible to secure an accurate adjustment of this sort without a subdivision into classes of some of the recognizable types

of consumer, while there is also necessary a recognition of differences in the nature of goods of the marketing services called for and of the conditions under which these services are to be rendered.

A suggestive experiment in the simplification of marketing functions was tried recently by a large specialty store in Boston. It advertised to its patrons a new plan of selling whereby the prices charged to customers would not include the cost of delivery. Moreover, charge accounts were separately charged for at a fixed rate per month. The plan was received by the customers with skepticism. A purchaser of a suit of clothes found it difficult to see how he profited by purchasing a suit at the store and paying extra for delivery when he could buy a suit apparently as good across the street for the same store price and not pay for delivery. Competing stores ridiculed the idea of a separate charge for these useful and often necessary services. One store reminded its patrons that the use of elevators and other conveniences of the store was not charged for and that delivery and charge accounts were absorbed in the same way. In vain did the innovating store protest that the savings went to the consumer in better quality. The experiment failed, and after a fair trial the plan was abandoned.

The so-called "basement" stores operated by many department stores in which fixtures are simplified and all the usual "trimmings" of the upstairs store are eliminated, do furnish a specific and in the main successful instance of the process of simplifying functions. But here the elimination is so varied and the reduction

in operating cost so appreciable as to be visibly reflected in the price of the goods. This type of retailing, which has been copied with profit by numerous "job lot" stores in nearly every city, represents a definite step in the simplification of functions. Another good illustration is found in the cafeteria and in the "self-serving" stores which have made substantial headway in many parts of the country.

Simplified distributing of this kind may be expected to develop and to exhibit many new forms as time goes on. But such stores probably will grow side by side with the more elaborate types of retailing establishment, each serving a group of customers who find in them the combination of principal and auxiliary activities best adapted to their respective needs. Several chains of grocery stores operate stores of both kinds almost side by side. One very successful grocery chain in an Eastern state still does a thriving business in its fancy stores which have been operating for years and which offer a full set of traditionally accepted services; while near some of its best stores it operates "thrift stores" on the "cash and carry" principle and with simple fixtures and a minimum of the supplementary functions being performed. In many respects this case is similar to the familiar "Economy" stores of the Great Atlantic and Pacific Tea Company which is described in the following paragraphs:

"An interesting experiment in chain store business is now being carried on by the Great Atlantic and Pacific Tea Company in many of its stores in Greater New York in an endeavor to bring about a lowering of the cost of living by removing many of the

services which have increased the overhead and resulted in higher cost of products.

"The Atlantic and Pacific Company by the very nature of its distributing power has been in a position to secure and take advantage of liberal discounts. The purchase of commodities in thousands of cases, against the tens or hundreds taken by the small grocer, no doubt has enabled the seller to offer the corporation a good reduction in price. For years past the Atlantic and Pacific Company secured all these advantages of business conducted on a large scale but did not spread these savings over the price of the article to the consumer. Instead, the saving was added to the profit, and it is the opinion of grocery authorities that this was one of the main sources of the A. & P. profits. . . .

"It was then planned to establish so-called economy stores at which the consumer would receive part of the savings accruing from buying in large quantities. These economy stores were to be operated with the smallest overhead possible. Gaudy fixtures were eliminated from consideration. Instead, soap, canned goods, etc., are sold direct from the boxes in which they are packed by the manufacturer, the boxes being neatly arranged along the walls of the store. No delivery service was to be given to the purchasers regardless of the amount of the purchase. This feature has resulted in an actual return of the market basket. Housewives buying groceries for the week have turned to small wagons drawn by children, thus making means of delivery.

"The so-called economy stores are operated with a view to keeping expenses down to a minimum. For instance, instead of having a cashier to make change, the manager of the store, in addition to waiting on the counter, handles all money, making change for the other clerks. At noontime the store is closed while all the employees, three or four, go out to lunch. The store is reopened at one o'clock in the afternoon, and closes promptly at seven at night.

"How the new stores reduce the cost of living has been proved by the many complaints made by retail grocers in the vicinity of these stores. These grocers, who offer such services as delivery of goods, calling for orders, and filling orders over the telephone,

have ascertained that the housewife has become aware of the fact that these services add to the cost of the goods purchased. Close investigation has shown that the so-called economy stores, instead of being mere neighborhood stores, have really become district stores. That is, instead of drawing trade from a vicinity of a few blocks from its location, it has been proved that trade has been secured up to half a mile from these stores."[1]

This discussion of the simplification of functions has been chiefly confined to merchandise of class C. This is the class in which the burden of superfluity and ill-adjustment is greatest, and the room for improvement largest. In principle many of the ideas will hold good in the other two classes. Here as well as in class C are to be found useless services becoming accepted as necessary, and costly devotion to worn-out devices being allowed to hamper the rendering of essential tasks.

No attempt is made here to offer a solution of this enormously complicated group of problems. The most that is hoped for is that this discussion may point the way toward a new attack on them. The elimination of certain functionaries may attend the process of solution; the rearrangement of relations between them probably will. Real progress, however, has not come from efforts to bring to pass these results of mere elimination of functionaries as an end in themselves. Constructive results will follow from a nicer adjustment between the tasks of marketing and the mechanism for their performance. The starting point toward solution is first an appreciation of what the functions of merchandise distribution are. A second step is to acquire

[1] *New York Journal of Commerce*, March 4, 1915.

some realization of their cost with relation to their value. Then the process of selection, elimination, and readjustment may be expected to follow. The results cannot now be forecast.

COLLATERAL READING

Alfred Marshall, Industry and Trade, Book III, Chapters XI and XIV.
W. W. Cumberland, Coöperative Marketing, Chapters I, IV, VII, VIII, XII.
G. H. Powell, Coöperation in Agriculture, Chapters II, IV, VII, VIII.
U. S. Dept. of Agriculture, Bulletin 547 — entire.
P. H. Nystrom, Economics of Retailing, Chapter XX.

QUESTIONS AND PROBLEMS

1. In a recent address in Boston, an official of the United States Bureau of Foreign and Domestic Commerce urged the establishment of a wool auction in Boston as a part of a plan for making Boston the "world center of the wool trade."

(*a*) State fully your reason for believing that such a project would or would not be:

(1) desirable,
(2) feasible.

(*b*) Granting the establishment of such an auction and the success of Boston in establishing a position as the "world center of the wool trade," what changes could be expected in the wool trade of this country and the methods of conducting it?

CHAPTER XVII

THE COMPONENTS OF A RETAIL PRICE

THE foregoing discussion of distributing functions, and the contrast which has been brought out between these functions and the mechanism of distribution which has grown up in certain familiar cases, raises a question of a sweeping character. Of the elements of cost which together constitute what is paid by the final buyer for the article brought to him by the distributing mechanism, how many are indispensable or even wholly desirable in all cases? In other words, to what extent is a distributing mechanism, the origin of which is largely historical, nicely adjusted to the exacting demands of rapidly changing conditions of production and consumption?

This is a particularly pressing question in connection with goods for retail distribution. For example, it is evident that the combined cost of distributing such commodities as staple groceries, amounting in many cases to as much as the factory price of the goods, is relatively high. At the same time, it is evident also that neither by betterments in operating methods nor the elimination of waste is it feasible to reduce greatly these distributing costs. There has been much discussion of the possibility of reducing these costs by the elimination of such services as the delivery of the goods,

telephone orders, and monthly charge accounts. There has, however, been little attention given in these discussions to any of the effects of these eliminations, except in the reduction in the retailers' cost of doing business. It may be assumed that with such economies there would be some reduction in the retailers' cost of doing business, and that, under competitive conditions, a portion at least of this saving would be transmitted to the consumer. Thus far, however, there has been little to show whether all classes of consumers can equally well afford to make these economies, nor has there been any attempt to determine whether for all classes of consumers these are the services rendered by the retailer which can best be dispensed with. The fact that even under stress of war times so large a portion of the population failed to take advantage of the suggestions that these services be eliminated seems to indicate some obstacle more serious than mere inertia. The probabilities are that many intelligent consumers are convinced that these economies for them would not be profitable.

As a matter of fact, these criticized services have not, so far, been so much of a drain on the consumer as they have been upon the retailer who renders them. Competition will not permit the retailer to charge all of the cost of rendering these services to the consumer and by just that much the consumer gains. It would seem to be a fair question whether it would not be more in the interest of the public for the retailer to attack the problem of reducing the cost of rendering these services rather than to try to educate the consumer to dispense with

them. After the costs of rendering these services have been reduced to a minimum the retailer still will have a large field for cost reduction in the elimination of service less vital to the consumer than are these.

The following table reproduced from one prepared by Wheeler Sammons [1] from the records of the costs of a large number of grocery concerns, covering the cost of doing business in this trade, ought to offer some suggestions as to the reduction of cost worth consideration.

	Per Cent
Rent	3.07
Salaries	8.46
Advertising	.83
Heat and light	.39
Delivery	2.53
Supplies	.37
Insurance and taxes	.58
General expenses	.45
Depreciation and expenses	.76
Bad debts	.47
	17.91

Granting that the figures give a moderately accurate idea of the situation, they naturally raise the question why so little attention is paid to attempting to reduce the costs in the items of rent and wages, which are by far the largest of all. And they also raise the question why so much of the attack upon retailing costs has been confined to some of the smaller and more necessary elements of the retailer's cost of rendering the services he is supposed to perform. To be sure, in some lines, high rent and skilled sales force are an essential part of

[1] Wheeler Sammons, Keeping Up with Rising Costs, pp. 21 and 39.

trading. But why, for instance, should package groceries be sold over mahogany counters behind plate glass windows on corners paying high rental, and why should they be taken from the shelf and handed to the consumer, or put into the consumer's delivery basket, by a forty-dollar-a-week salesman? These services might be valuable in some lines. But how valuable are they in such lines as this? This point has already been raised in connection with the discussion of a phone order grocery store (Chapter XVI).

The final price which the consumer pays for an article, under competitive conditions, tends to represent the sum of the prime cost (materials and labor necessary for its production) and the cost of handling it and a fair profit for every one who plays a necessary part in moving it from the time and place of its production to the time and place of its final consumption.

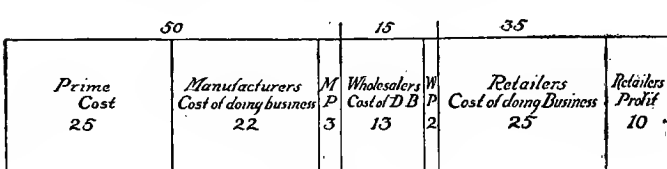


FIG. 7

In this diagram has been represented, somewhat arbitrarily, an approximate division of the price which the consumer pays for say some standard article retailing at a dollar. Suppose, for the sake of simplicity, that the article is of relatively small bulk for its value so that the transportation charges will be absorbed in the purely commercial costs. The first half of the total

is represented as being made up of the prime costs ($.25) and of the manufacturer's cost of doing business ($.22), and his profits ($.03), making the price at which he sells the article to the wholesaler $.50. If for the sake of argument there could be definitely assigned a proportionate share of the wholesaler's cost of doing business, to this article, say $.13 and his profit $.02, this would bring the price to the retailer up to $.65. The retailer on the other hand has a cost of doing business of 25 per cent on his selling price so that $.25 would represent his handling cost for this article and his profit would be $.10.

Prime cost	$ .25	
Manufacturer's cost of doing business	.22	
Manufacturer's profit	.03	
Price to wholesaler		$ .50
Wholesaler's cost of doing business	.13	
Wholesaler's profit	.02	.15
Price to retailer		.65
Retailer's cost of doing business	.25	
Retailer's profit	.10	.35
Price to consumer		$1.00

By summing up these principal subdivisions it appears that the prime cost represents 25 per cent of the final price, the commercial costs 60 per cent, and the combined profits 15 per cent, $\frac{1}{3}$ of which went to the producer and wholesaler while the remaining $\frac{2}{3}$ went to the retailer.

The retailer, under ordinary circumstances, handles only a comparatively small portion of the total output of any particular manufacture, and therefore his profit of 10¢, which appears large, is obviously not as great

in proportion as is that either of the wholesaler or of the manufacturer. So, too, with his cost of doing business, it is necessary to remember that he is handling the goods only in comparatively small quantities and that therefore his cost of doing business must be proportionately heavier.

Thus far an effort has been made to make two points clear. The first is that there may be no economy to a consumer in foregoing a valuable service, while there may be distinct economy in foregoing a service which is rendered but which is not needed. The second point is that the price which the consumer pays tends to represent the cost of the original materials plus the cost of all commercial services and the profits of those who render these services. The cost of none of these services is absolutely rigid, and there is a good deal of elasticity possible in the relation between the cost of doing business in any one step and the profits in that step. If, for example, in the diagram as we have it we could conceive of the retailer's cost of doing business increasing to say 28¢, it might be that a portion of the extra 3¢ would be taken from the retailer's profits when competitive conditions would not permit him to transfer all the burden to his customers.

These two points make it clear that the complicated service which is rendered by the commercial mechanism for the consumer is the most costly element in the consumer's price, and this makes particularly vital an examination of what service actually is paid for by the consumer in comparison with a study of the question of what service actually is rendered to the consumer.

This form of presentation of the components of a final price is open to some risk of misinterpretation. The difficult feature to keep in mind is the fact that each step in the distributing process must calculate its "mark-up" on a new figure and that the various advances in price between producer and consumer are not in actual practice based on the final price to the consumer. By returning to the illustrative figures used above, this point can be made clear. The manufacturer, for example, does not figure his price as a mark-up of 25 cents, his figures are made in percentages of his selling price. In the same way the wholesalers do not mark up their varied products by arbitrary additions of so many cents, but as percentages of their selling price, which, on all the products they handle taken together, will cover their cost of doing business and profits; and all of these they are obliged to figure on their selling price to the retailer as a basis. Similarly, in turn, the retailer is compelled to figure his costs of doing business on his selling price and in his case alone is the selling price represented in this instance by the full 100 cents paid by the consumer. This fact accounts for much of the failure of the public to appreciate the inherent fairness of some of the recent increases in the prices charged by the retailers which appear excessive in comparison with production costs. It is difficult for the consumer to understand, for example, that if there is a doubling of prime costs, say from 25 to 50 cents, this cannot be covered by a mere 25-cent increase in the final price to the consumer. Such an increase, of course, means that even at the same percentages of costs of doing business all along the line

the consumer's price will be increased far more than the 25 cents, since the basis of calculation throughout has been increased. When to an increase in prime costs there is also added an increase in operating costs for distributers, the rise in the various intermediate prices as well as in the final price is of necessity enhanced. The wool grower, therefore, who argues that an increase in the price of raw wool from 30 cents to 70 cents has only added approximately $5 to the price of a suit of clothes, is neglecting the whole disturbance of distributing costs due to this increase; and in the same way any figures to show that the increase in the cost of mill labor in a suit length of fabric is negligible, are wholly misleading. The percentages of distributing cost are not lowered at anything like the rate that such statements imply by merely increasing the value of the commodities carried. They tend rather to remain fixed, in normal times, and even to increase in times of inflation. Indeed, they can be lowered only by decreasing the quantity or cost of the services they represent; and if the outlay in the stock of merchandise sold is raised, this increase must bear its proportionate share of these costs of doing business. These will be figured in fixed or increasing percentages calculated on the basis of the enhanced selling prices.

If we put all the distributing costs together the diagram of the chief components of the consumer's price could be represented as on following page.

The central problem in distribution may be summed up as an effort to decide which of these elements of service, and the corresponding elements of cost, may be

eliminated for individual cases or for general types of distribution, and which are indispensable, and whether the indispensable services are being rendered in the most economical way, regardless of tradition. This latter question will be solved only as a result of a long process of cost keeping and the comparison of figures obtained by the use of systems of accounting based on generally accepted general principles.

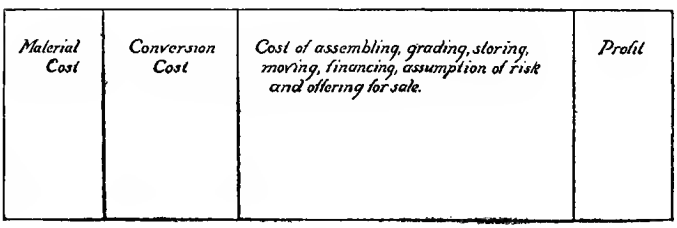


FIG. 8

The principles underlying the ascertainment of costs, both in production and distribution, are comparatively simple, and are fairly widely accepted without material variation. To be sure there are controversies over the method of treatment of such items as interest on investment, but generally speaking, systems of accounting such as those prepared by the Bureau of Business Research, of the Graduate School of Business Administration, of Harvard University, and the system prepared by the Federal Trade Commission, and that issued by the Federal Reserve Board, as well as the systems prepared by various private enterprises and by associations, all agree in their general principles. Such differences as exist between them are chiefly concerned with

matters of detail and do not materially modify the general conclusions which may be based upon them.

The system of accounts which has been worked out by the Bureau of Business Research at Harvard University is in many respects the recognized standard for the other systems which have followed, and for that reason it has been considered advisable to incorporate at the end of this volume the summary of the figures which the Bureau has compiled in various lines of trade.[1]

As a problem in merchandise distribution what really concerns the public at large is not so much the development of methods by which any particular type of distributer can make a safer profit, nor is it even concerned with the question whether any special form of distributing mechanism shall continue to exist. What really concerns the consuming public, and what is therefore to be the determining factor in the solution of all these problems, is the devising of some method by which those functions which are regarded as necessary may be performed satisfactorily without undue waste.

Every attempt to improve the methods of distribution made in recent years may be regarded as an effort to solve this problem. One of the most serious handicaps to their success has been the failure to keep clear the nature of the problem without giving undue weight to tradition.

These graphic representations of the component parts of the final price call for mention of one other

[1] The accounting systems on which these figures are based are available at the Bureau for a nominal charge.

factor of the distribution task. That is the relation between the prices charged for each unit and the profits included in those prices on the one hand and the volume of sales on the other. The failure to regard this element is one of the chief fallacies in many efforts to promote direct sale from producer to consumer. To use an exaggerated case to make the point clear, suppose a producer grew one single peck of carrots. He could perform all the necessary distributing functions and deliver the carrots direct to a purchaser, say, a thousand miles away. The cost of course would be enormous. On the other hand a trainload of carrots could be delivered in the same way at an almost negligible cost per peck. But carrots can be grown most economically neither by the single peck, nor by the trainload; in one case the producing unit is too small and in the other case too large for the greatest economy in production. Mere directness of distribution, and mere large-scale production or distribution clearly do not offer a satisfactory solution for uneconomical distribution; the real solution is an adjustment of the successive processes of production and distribution so as to secure the most economical operation of each, or at least the greatest aggregate economy. The profits in each of these steps tend to have a definite relation to the market value of the brains required for conducting the operation. Production profits per unit are small when the volume of production which can be economically conducted is large. Wholesaling profits per unit also are small per unit. Retailing profits, while often large per unit, and large in relation to other elements of the

final price, are in a large measure dependent on this element of the volume of sale, or, as it commonly is called, the speed of "turnover." In the case of yeast cakes, for example, where the sales are numerous and quick, the profit of the retailer is very small per unit. In the case of jewelry, on the other hand, the retailer's profit per unit must be large.

This relationship between the make-up of the final price and the volume of sales accounts for the fact that the most noteworthy progress in the betterment of distribution has been in the "quick turning" lines. Chain stores have thriven in the grocery business and in the 5 and 10 cent lines. These and kindred types of goods offer a chance for large savings in the costs of rendering services and a widening of the profit margin, which while small per unit, make a large aggregate return. But more important still is the chance they offer for speeding turnover. Coöperative stores, on the other hand, have had difficulty in making any saving in operating cost, and they have done little to increase turnover. Where successful their savings and added profits have come from betterments in methods of buying or in the curtailment of services. Their weakness has been in the fact that their scale of operation is so nearly like that of their "regular" competitors. Thus far the coöperative movement in this country has not been able to secure the great advantage which has come to the British coöperative movement; for instance, through the federation of their wholesaling operations in the Coöperative Wholesale Society.

Real progress in the betterment of distribution and

in the reduction of distributing costs may be expected to come not from these minor changes in distributing costs or even in the speed of turnovers, but from a better and more economical performance of functions, and, — as has repeatedly been said, — from a critical selection of them with a larger disregard of traditions than hitherto has been common.

COLLATERAL READING

Alfred Marshall, Industry and Trade, Book II, Chapters VI and VII, Appendix F.

P. H. Nystrom, Economics of Retailing, Chapter XI.

QUESTIONS AND PROBLEMS

This entire chapter and the following one are chiefly made up of questions and problems. What is suggested here may profitably be expanded in the indicated field. Similar analyses of the relative value of various services to different classes of customers might be worked out for almost any type of business, wholesale or retail.

CHAPTER XVIII

THE COSTS OF DISTRIBUTION

To pile up evidence that the costs of distribution are high in most lines of merchandise is comparatively easy and not particularly significant. The tasks imposed on the distribution system are complicated and they must be paid for. The excessive totals represent in most cases only a fair return for the services rendered. This, however, does not alter the fact that economies in distribution are imperative and that they promise large returns to those who can bring them to pass, as well as to society at large. In a large measure the rewards which were open during the past generation to inventors of mechanical devices for saving labor and for bettering production are open to those who during the next fifty years devise methods for performing better and more economically the task of merchandise distribution.

The work of improvement has already begun. Indeed it has always been under way. But of the many "solutions" thus far devised each has proved to be merely an improvement, or at least a change, in some one small department. The department store has proved a valuable device for handling large volumes of highly risky merchandise with great rapidity in dense markets. Its great triumph has been in the field of merchandise

in which the style hazard is large. Incidentally it has shown the way to many other types of distribution in matters of organization and management and in the matter of skillful buying on a large scale. Not the least of its positive contributions has been its use of mass phenomena as a basis for working out standards of operation and in the planning of stocks to reduce waste from poor forecasts of the wants and the absorbing power of the market.

The specialty store has been one of the inevitable products of the application of many of the lessons learned in department store operation to the task of retailing conducted on a smaller and more intensive scale.

The chain store has introduced many new ideas and has adopted many from other sources, particularly from department stores. Concentrated buying, centralized control, standardized operation have been combined with an attempt to keep the old small-scale stores, direct and more completely personal contact with consumers.

Federations of retailers like the United Drug Company have in turn combined many of the ideas of the chain stores with an even greater emphasis on the personality of the retailer. And for the autocracy of control by the centralized administrative organization of the chain store it has substituted a degree of democracy in management which, to say the least, is a supremely interesting American experiment.

Retail branches operated by manufacturers on the whole have been the least resultful of the large movements for the betterment of retailing. In a few cases

they have been successful and profitable to their owners. Generally speaking, however, they have not reduced prices to the consumer. Notwithstanding the seductive appeal of the directness of contact between manufacturer and consumer, the experience of their operation apparently has indicated that it is extremely difficult for a well-run producing organization to control at the same time an economical and effective distributing mechanism beyond the point where the merchandise moves at wholesale. The experiment of a retailing organization owned and operated by a federation of manufacturers producing a fairly complete retail line never has been tried, but in some ways it offers a promising means for offsetting some of the difficulties which have beset this particular type of retail outlet.

Coöperative retail stores owned and run by consumers have not in this country met with the success that apparently has attended similar enterprises in Europe. Some reasons for this have been suggested. The essential difficulty apparently has been the inability of this form of organization to effect any real economies in performing the necessary distributing functions on the scale on which it has been tried. The coöperative organization probably will play an increasingly important part in future betterments of American distributing methods. But as a principle it has little to offer either in the elimination of distributing functions or in the reduction of their cost. It is conceivable that a federation of coöperative organizations of producers dealing with coöperative organizations of consumers on a sufficiently large scale, and paying the market price for the

type of brains necessary for management, might offer some opportunity for economy and reduction of costs. But this, again, is an experiment as yet untried on a plan sound in principle and with an eye single to economic and efficient operation.

Mail order retailing has been the one other noteworthy effort to "revolutionize" retail methods. There is a seductive power in printed descriptions of merchandise which has been capitalized to good advantage, especially in reaching those to whom easy access to the merchandise itself is not open. The huge size of the mail order market in this country has offered rich rewards to concerns organized and operated in a fashion to take advantage of it, and disposed to offset as far as possible the disadvantages and risks of absentee purchasing by consumers. There is little evidence to indicate that on the whole the costs of performing the distributing function by this method are consistently less than by some of the other methods, particularly when they are well conducted. Nor is there any evidence, on the other hand, that mail order houses have consistently sold on as small a margin as they could if they were obliged to. It is certain that some of the mail order "leaders," like cream separators for example, have been good articles sold at less than the going market price. But this is not conclusive evidence of economy in distribution. These leaders may have been bought or made at a price yielding no producing profit. They may even have been made and sold without adequate distributing profit for their value in inducing other more profitable sales. In any case the mail order

house is here to stay, and its competition has put other distributers on their mettle in a way which, at least in some instances, has been wholesome.

On the whole the greater part of retail distribution still is performed by what is known as "regular" retailers. Their competition between themselves and with these other forms of retailers has yearly grown more spirited. Old methods have persisted, expensive traditions have survived, but over any appreciable space of time it is evident that the process of natural selection is going forward and that the fittest who survive are those who come nearest to filling the needs of the consuming public and who do it with the least waste.

Of all opportunities for betterment in the retail field, that of more accurately adjusting the mechanism to the newer phases of the retailing tasks is the most promising. And throughout this end of distribution it is manifest to all who are familiar with the problems in hand that the great effort-saving devices (such as are represented by advertising) for expediting the work of distribution or, in other words, the work of completing the contact necessary to effect the transfer of ownership, are permanent and valuable features of the modern methods.

In the wholesale types of business the same sort of breakup of the old forms is in progress. Trade currents continually change; wholesalers take on new forms. Their relations with each other, with their sources and with their customer, are constantly undergoing change. The necessary functions to be performed on a wholesale scale are in the main well done. And

yet there is no phrase more common in discussions of merchandise distribution than that calling for the "elimination" of the wholesaler. As the characteristics of the necessary functions of merchandise distribution are more clearly appreciated, the probabilities are that it will be more clearly understood that in this part of the distributing task the chief problem is not the preservation of old forms, but rather the economical adjustment of the mechanism to the work in hand. The development of specialty jobbing houses, the increase in the drop-shippers in certain trades, and the huge expansion of the scale of operations of those general jobbing houses which try to compete with the new forms, all indicate the intensive character of the wholesale business under modern conditions. The control of outlets and the ownership or control of sources of merchandise, and the expansion of the use of jobbers' brands in some cases to cover a nation-wide market all serve to make clear the fact that there is plenty of room for successful operation of wholesalers coming between retailers and producers provided they can, by intensive knowledge of some one market or by intensive selling of a restricted line of goods, really perform the necessary functions more economically or more satisfactorily than they can be performed by producers or retailers.

Those distributers who distribute merchandise of classes A and B are not escaping from the general spirit of change which pervades all distribution of merchandise of class C. To a large extent the old personal ties and bonds of favoritism which formerly determined many sales of materials for remanufacture and for

equipment have been minimized as a factor in trade. The pressure of competition has forced close buying on all well-managed concerns. Wherever possible free play of all the influences of supply and demand has been sought in determining prices and the essential distributing tasks more than ever before have been standardized in form and cost.

It is not likely that merchandise distribution ever can be reduced to simple or uniform types. It is not desirable that this should be so. Neither is it desirable that in the several parts of distribution there should be a large number of types struggling to prove their exclusive right to do all the business in their own way. Notwithstanding all the waste and costliness of the present methods they are effectively performing the necessary tasks in a creditable fashion. The main danger in them is that the public may be led to regard any one of them as a fixed and inviolate institution, and remain content to pay the costs of its operation in a spirit of loyal sacrifice. No distributing device is permanent; most of them are of fairly recent origin in their present form. The distributing functions are the durable elements of the problem. The ability of any distributing device to perform them efficiently and with a minimum of waste will measure its ability to expand or survive.

Much progress toward the attainment of really effective distribution of merchandise will follow the ascertainment of the real facts regarding costs of operation of typical functionaries. But beyond this there is much to be gained by a clarifying of our ideas of what is really

involved in the work of distributing merchandise under modern conditions. By as much as the transfer of ownership of the merchandise in process of distribution is supplemented by other tasks there is need for attention to the nature of those tasks. There is need also for a tangible basis for determining the extent to which they are necessary, the degree to which they are economically performed, and the accuracy with which they are adjusted to the real needs of those who must pay for them.

COLLATERAL READING

Bureau of Business Research, Harvard University — Bulletins.
Alfred Marshall, Industry and Trade, Appendix F.
U. S. Federal Trade Commission, System of Accounts for Retail Merchants.
U. S. Federal Trade Commission, Fundamentals of a Cost System for Manufacturers.
U. S. Federal Reserve Board, Uniform Accounting.

APPENDIX

The following tables showing the cost of doing business in various types of store are from the bulletins issued by the Bureau of Business Research, Harvard University.

BULLETIN NO. 1

SUMMARY TABLE OF PERCENTAGES — RETAIL SHOE STORES, 1913[1]

ITEM	LOWEST PERCENTAGE	HIGHEST PERCENTAGE	PERCENTAGE ABOUT WHICH DATA CENTER (Not an Average)	PERCENTAGE ABOUT WHICH A CONCENTRATION IS SUFFICIENT TO INDICATE A REALIZABLE STANDARD
Gross profit, including discounts . .	20	42	Low grade 23–25 High grade 30–33	
Total operating expense not including freight and cartage and interest	18	35	Low grade 23 High grade 27	Low grade 20 High grade 25
Buying expense . .	0.8	1.8	1.1	1.0
Sales force . . .	5.8	10.3	8.0	7.0
Advertising . . .	0.0	8.8	2.0	1.5
Deliveries . . .	0.0	1.4	0.6	0.4
Rent	1.8	14.6	5.0	3.0
Interest . . .	1.0	7.9	2.5	2.0
Stock-turns . . .	1.0	3.6	1.8	2.5
Annual sales of average sales person	$5,000	$16,500	$10,000	

[1] These figures have been superseded by those in Bulletin No. 10 quoted below. They are included here for purposes of historical comparison.

BULLETIN NO. 5—1915

SUMMARY TABLE OF PERCENTAGES AND OTHER FIGURES FOR RETAIL GROCERY STORES[1]

ITEM (For percentages, Net Sales = 100%)	LOW	HIGH	COMMON	STANDARDS ATTAINED BY A GROUP OF MORE EFFICIENT STORES
	%	%	%	%
Gross profit on merchandise	14.6	27.9	21.0	—
Salaries and wages of buying force	0.1	2.4	0.5	—
Other buying expense	0.0	0.5	0.02	—
Total buying expense	0.1	2.4	0.5	—
Salaries and wages of sales force	3.5	10.6	6.5	5.0
Advertising	0.01	1.8	0.1	—
Wrappings and miscellaneous selling expense	0.03	1.4	0.4	0.3
Total selling expense	4.5	10.8	7.0	5.5
Wages of delivery force	0.6	3.5	1.5	1.0
Other delivery expense	0.3	3.4	1.5	1.0
Total delivery expense	1.1	5.9	3.0	2.5
Management and office salaries	0.3	3.8	1.5	—
Office supplies and expense	0.01	0.4	0.1	—
Total management expense	0.4	4.0	1.7	—
Rent	0.3	4.1	1.3	0.8
Heat, light, and power	0.1	0.8	0.2	0.15
Insurance on stock and store equipment	0.03	0.5	0.1	—
Taxes	0.01	0.5	0.1	—
Repairs and renewals of store equipment	0.01	1.4	0.1	—
Depreciation of store equipment	0.03	0.9	0.2	—
Total fixed charges and upkeep expense	0.8	5.6	2.0	1.5
Telephone	0.04	0.6	0.2	—
Ice and cold storage:				
Groceries only	0.01	0.6	0.1	0.1
Groceries and meats and provisions	0.03	0.7	0.3	0.2
Other miscellaneous expense	0.01	1.2	0.1	—
Total miscellaneous expense	0.1	1.4	0.5	0.3
Losses from bad debts	0.01	2.2	0.5	0.2
Total of expense statement	10.4	25.2	16.5	13.0
Net profit from merchandise operations	Loss 3.3	11.0	2.5–5.5	—
Interest	0.2	1.7	0.8	—
Number of stock-turns a year:				
Groceries only	3.5	23.8	7.0	12.0
Groceries and meats and provisions	7.0	26.4	9.0	14.0
Average annual sales per sales person	$5,000	$20,000	$10,000	—

[1] This summary includes stores which sell groceries only, and also stores which sell both groceries and meats and provisions.

BULLETIN NO. 9 — 1917

Operating Expense in the Wholesale Grocery Business — Summary

Item (For percentages, Net Sales = 100%)	Low	High	Common
	%	%	%
Gross profit	7.7	17.2	12.0
Total sales-force expense	0.93	4.3	2.3
Advertising	0.0	1.19	0.07
Other selling expense	0.01	0.45	0.06
Total selling expense	1.2	4.53	2.5
Salaries and wages of receiving, warehouse, and shipping force	0.43	2.0	1.15
Packing cases and wrappings	0.01	0.73	0.04
Outward freight, express, parcel post-age, and cartage	0.01	2.1	0.4
Total receiving, handling, and shipping expense	0.8	3.22	1.6
Salaries of buying force	0.05	1.05	0.35
Other buying expense	0.02	0.26	0.03
Total buying expense	0.05	1.05	0.4
Executive salaries	0.16	1.21	0.5
Office salaries	0.19	1.54	0.7
Postage and office supplies	0.05	0.48	0.23
Telephone and telegraph	0.01	0.25	0.05
Credit and collection expense	0.01	0.57	0.06
Other management expense	0.02	0.42	0.1
Total general management and office expense	1.15	3.15	1.65
Total interest	0.4	3.03	1.5
Rent	0.17	1.05	0.4
Heat, light, and power	0.01	0.2	0.05
Taxes	0.02	0.75	0.2
Insurance (except on buildings)	0.03	0.58	0.11
Repairs of equipment	0.01	0.49	0.05
Depreciation of equipment	0.001	0.5	0.1
Total fixed charges and upkeep expense	1.31	4.62	2.5
Miscellaneous expense	0.01	0.92	0.11
Losses from bad debts	0.002	1.66	0.3
Total expense	6.7	13.74	9.5
Net profit	1.13 Loss	7.01	2.4
Stock-turn	2.8	11.6	5.7

BULLETIN NO. 10 — 1918

OPERATING EXPENSES IN CHAIN SHOE STORES

Net Sales = 100%

ITEM	LOWEST	HIGHEST	COMMON
	%	%	%
Gross profit on merchandise	12.5	45.5	28.4
Total buying expense	0.2	2.95	0.95
Salaries and wages of sales force	2.5	16.5	6.9
PM's	0.03	2.1	0.5
Advertising	0.0	16.3	2.3
Wrappings and miscellaneous selling expense	0.02	1.0	0.15
Total selling expense	4.7	33.0	9.85
Delivery expense	0.0	5.5	0.37
Management and office salaries	0.08	5.0	1.6
Office supplies and expense	0.01	1.2	0.1
Total management expense	0.11	6.0	1.7
Rent	1.33	27.8	8.6
Heat, light, and power	0.12	3.5	0.9
Insurance	0.08	1.88	0.3
Taxes	0.01	2.04	0.15
Repairs and renewals of equipment	0.01	4.4	0.15
Depreciation of equipment	0.1	8.9	1.0
Total fixed charges and upkeep expense	1.55	33.5	11.1
Miscellaneous expense [1]	0.1	8.8	0.6
Total expense	9.85	57.6	24.6
Net profit from merchandise operations	31.9 Loss	20.3	3.8
Total interest	0.53	7.4	2.5
Stock-turn	1.1	4.6	1.7

[1] Includes losses from bad debts — small expense for these stores.

BULLETIN NO. 10 — 1918

Operating Expenses in Shoe Departments of Department Stores

Net Sales = 100%

Item	Lowest	Highest	Common
	%	%	%
Gross profit on merchandise	12.6	39.1	28.1
Salaries and wages of buying force	0.39	3.44	1.15
Other buying expense	0.01	1.92	0.25
Total buying expense	0.67	3.67	1.4
Salaries and wages of sales force	4.92	13.5	8.4
PM's	0.07	2.5	0.65
Advertising	0.49	7.3	1.9
Wrappings and miscellaneous selling expense	0.02	1.5	0.35
Total selling expense	7.2	18.9	11.3
Delivery expense	0.25	2.32	0.6
Management and office salaries	0.8	4.0	2.1
Office supplies and expense	0.03	1.98	0.1
Total management expense	1.0	4.78	2.2
Rent	1.5	10.0	3.4
Heat, light, and power	0.2	2.6	0.7
Insurance on stock and equipment	0.18	1.33	0.55
Taxes	0.17	1.35	0.35
Repairs and renewals of equipment	0.2	2.0	0.4
Depreciation of equipment	0.2	1.17	0.4
Total fixed charges and upkeep expense	3.5	11.7	5.8
Miscellaneous expense	0.05	6.0	2.0
Losses from bad debts	0.01	0.26	0.1
Total expense	19.0	33.4	23.5
Net profit from merchandise operations	16.6 Loss	9.82	4.6
Total interest	0.69	11.3	2.2
Stock-turn	0.89	3.1	1.5

BULLETIN NO. 10 — 1918

Operating Expenses in Retail Shoe Stores Selling High-price [1] Shoes

Net Sales = 100%

Item	Lowest	Highest	Common
	%	%	%
Gross profit on merchandise	21.3	41.5	34.8
Salaries and wages of buying force	0.56	1.99	1.2
Other buying expense	0.07	0.88	0.28
Total buying expense	0.74	2.06	1.48
Salaries and wages of sales force	7.02	11.65	10.25
PM's	0.41	1.28	0.85
Advertising	0.98	3.57	2.0
Wrappings and miscellaneous selling expense	0.08	0.63	0.17
Total selling expense	9.31	18.1	13.27
Delivery expense	0.0	3.2	2.6
Management and office salaries	1.67	7.58	2.7
Office supplies and expense	0.16	4.3	1.1
Total management expense	1.83	9.4	3.8
Rent	1.98	5.82	2.8
Heat, light, and power	0.16	0.45	0.28
Insurance on stock and equipment	0.43	1.41	0.5
Taxes	0.02	0.38	0.3
Repairs and renewals of equipment	0.36	0.39	0.38
Depreciation of equipment	0.33	1.33	0.54
Total fixed charges and upkeep expense	3.74	7.74	4.8
Miscellaneous expense	0.38	3.76	2.0
Losses from bad debts	0.0	1.34	0.85
Total expense	23.43	32.85	28.8
Net profit from merchandise operations	10.14 Loss	18.22	6.0
Total interest	2.86	2.91	2.9
Stock-turn	0.92	2.33	1.5

[1] Price of men's shoes $6.00 and over, typical $7.00 (before the war). Price of women's shoes $7.00 and over, typical $8.00 (before the war).

BULLETIN NO. 10 — 1918

Operating Expenses in Retail Shoe Stores Selling Low-price[1] Shoes

Net Sales = 100%

Item	Lowest	Highest	Common
	%	%	%
Gross profit on merchandise	18.3	40.4	25.7
Salaries and wages of buying force	0.24	2.16	0.9
Other buying expense	0.03	0.13	0.08
Total buying expense	0.45	2.16	0.98
Salaries and wages of sales force	4.9	14.2	9.4
PM's	0.0	1.96	0.25
Advertising	0.15	7.65	1.3
Wrappings and miscellaneous selling expense	0.06	0.92	0.15
Total selling expense	7.7	18.68	11.1
Delivery expense	0.0	0.57	0.15
Management and office salaries	0.62	4.4	1.7
Office supplies and expense	0.02	1.18	0.2
Total management expense	0.71	4.6	1.9
Rent	1.51	10.75	3.7
Heat, light, and power	0.36	1.35	0.65
Insurance on stock and equipment	0.12	1.16	0.35
Taxes	0.06	0.98	0.35
Repairs and renewals of equipment	0.06	0.55	0.15
Depreciation of equipment	0.15	0.83	0.3
Total fixed charges and upkeep expense	2.85	12.7	5.5
Miscellaneous expense	0.04	2.92	0.6
Losses from bad debts	0.0	0.87	0.27
Total expense	13.3	32.33	20.5
Net profit from merchandise operations	6.5 Loss	18.5	5.2
Repairing	1.33 Loss	6.53	0.9
Total interest	1.52	6.9	4.0
Stock-turn	0.6	4.77	1.6

[1] Price of men's shoes up to $3.00, typical $2.50 (before the war). Price of women's shoes up to $3.50, typical $3.00 (before the war).

BULLETIN NO. 12 — 1919

OPERATING EXPENSES IN RETAIL HARDWARE STORES, 1917–18

Net Sales = 100%

ITEM	LOWEST	HIGHEST	COMMON
	%	%	%
Wages of sales force	3.36	10.8	5.8
Other selling expense	0.1	3.2	0.4
Total selling expense	3.9	11.86	6.5
Delivery expense	0.06	3.82	0.9
Buying expense	0.4	2.81	1.0
Management and office salaries	1.6	5.6	2.5
Office supplies and postage	0.06	1.01	0.3
Total management expense	1.9	5.58	3.0
Total interest	1.11	5.38	3.0
Rent	0.38	7.3	2.4
Heat, light, and power	0.09	1.31	0.3
Taxes (except income and buildings)	0.16	1.73	0.5
Insurance (except on buildings)	0.14	1.32	0.5
Repairs of store equipment	0.03	1.05	0.17
Depreciation of store equipment	0.04	1.61	0.3
Total fixed charges and upkeep expense	4.8	12.47	7.5
Miscellaneous expense	0.14	3.57	0.8
Losses from bad debts	0.05	2.84	0.5
Total expense	15.74	38.2	20.6

GROSS AND NET PROFIT

ITEM	HIGHEST	LOWEST	COMMON
	%	%	%
Gross profit	40.2	12.75	26.5
Net profit (or loss)	Profit 11.1	Loss 10.2	Profit 6.0

BULLETIN NO. 14

Operating Expenses in the Wholesale Grocery Business, 1918

Net Sales = 100%

Item	Lowest	Highest	Common
	%	%	%
Total sales-force expense	0.41	4.88	2.2
Advertising	0.001	2.33	0.04
Other selling expense	0.001	0.49	0.03
Total selling expense	0.48	7.59	2.4
Salaries and wages of receiving, warehouse, and shipping force.	0.29	2.88	1.1
Packing cases and wrappings	0.01	0.48	0.05
Outward freight, express, parcel postage, and cartage	0.01	2.2	0.4
Total receiving, handling, and shipping expense	0.83	3.09	1.59
Executive salaries (including buying)	0.24	2.66	0.9
Office salaries	0.25	1.57	0.7
Postage and office supplies	0.03	0.38	0.2
Telephone and telegraph	0.01	0.14	0.04
Credit and collection expense	0.001	0.37	0.04
Other management and buying expense	0.01	0.72	0.1
Total general management and buying expense	1.19	3.92	2.0
Total interest	0.42	3.29	1.5
Rent	0.12	0.94	0.35
Heat, light, and power	0.02	0.4	0.06
Taxes (except on buildings)	0.01	0.43	0.2
Insurance (except on buildings)	0.01	0.36	0.15
Repairs of equipment	0.001	0.57	0.05
Depreciation of equipment	0.01	1.39	0.14
Total fixed charges and upkeep expense	1.13	4.27	2.45
Miscellaneous expense	0.02	0.5	0.2
Losses from bad debts	0.01	1.71	0.22
Total expense	6.15	14.79	9.1

GROSS AND NET PROFIT

ITEM	HIGHEST	LOWEST	COMMON
	%	%	%
Gross profit	14.9	6.08	11.0
Net profit	Profit 4.74	Loss 0.92	Profit 1.75

A full list of the bulletins issued by the Bureau of Business Research, Harvard University, is as follows:

1. Object and History of the Bureau with Some Preliminary Figures on the Retailing of Shoes.
2. Harvard System of Accounts for Shoe Retailers.
3. Harvard System of Accounts for Retail Grocers.
4. Depreciation of the Retail Shoe Business.
5. Expenses in Operating Retail Grocery Stores.
6. Harvard System of Accounts for Shoe Wholesalers.
7. Harvard System of Stock-keeping for Shoe Retailers.
8. System of Operating Accounts for Wholesale Grocers.
9. Operating Expenses in the Wholesale Grocery Business.
10. Management Problems in Retail Shoe Stores.
11. System of Operating Accounts for Hardware Stores.
12. Operating Expenses in Retail Hardware Stores.
13. Management Problems in Retail Grocery Stores.
14. Methods of Paying Salesmen and Operating Expenses in the Wholesale Grocery Business in 1918.

These bulletins (except Nos. 1 and 5, which are out of print) may be purchased by addressing the Bureau at Cambridge, Mass.

INDEX

Accounting, systems of, 212–213.
Adjustments in marketing: of quantity (assembling function), 57–71; of quality (grading function), 73–81; of time (storing function), 82–89; of place (transporting function), 91–101.
Advertising, by retail stores, 147–148; of branded goods, 149–162; as component of retailing cost, 206.
Agricultural products, grading in marketing of, 73–80; assumption of risks in marketing, 119–125.
American Warehousemen's Association, work of, 86–87.
Apples, grading function in sale of, 74.
Assembling function in marketing, 57–71.
Assumption of risks in marketing, 117–125.
Auctions, as temporary assembling markets, 70; accurate grading imperative for, 78.
Australia, grading of wool in, 78–79.
Auxiliary functions of marketing mechanism, 15.

Bad debts, percentage of retailing cost assigned to, 206.
Basement stores, simplification of marketing functions by, 199–200.
Boston School of Salesmanship, 138–140.
Brace, H. H., *Value of Organized Speculation* by, quoted, 76–77.
Brand, advertising based on final purchase by, 38; sales under, 149–162.
Broker, as a marketing functionary, 29, 45–46.
Bureau of Business Research, accounting system of, 212.

Cafeterias, illustration of simplification of functions supplied by, 200.
California Fruit Growers' Exchange, work of, 100.
Canned goods, use of future trading in marketing of, 125; selling of, under brand, 155–157.
Chain stores, difficulties in defining, 30; economies effected by, 129–130, 200–202; elimination of distributers by, 163; autocratic form of solution of problem of eliminating distributers found in, 179; effect on final price of speed of turnover of, 215; introduction by, of new ideas in distribution, 218.
Charge accounts, system of, in retail stores, 144–145; Filene's try-out of plan of charging for, 199.
Cherington, P. T., *The Wool Industry* by, quoted, 165–173.
Claflin & Company, account of, 165–166.
Cold storage, commercial results of, 83–85; borrowing money on goods in, 103.
Commission houses, 29–30.
Components of retail price, 204–216.
Consumers' clubs, 183–186.
Consumption, changes in conditions of, 190–193.
Coöperation among retail grocery stores, 179.
Coöperative deliveries by retail stores, 145–146.
Coöperative stores, successful abroad but not flourishing in America, 182–183, 215; difficulties experienced by, 183–186; savings of, not due to speed of turnover, 215; weakness of, 215; reasons for lack of success of, in America, 219.
Costs, ascertainment of, of production and distribution, 206–216.
Cotton, results of grading of, 77–78; systematizing marketing of, 104–109; trading in futures in, 119–122.

Defoe, Daniel, description of Sturbridge Fair by, 65–70.
Delivery, as component of retailing cost, 206.
Department stores, difficulties in defining, 30; classed as irregular retailers, 36; responsibility of, for elaboration of equipment, 128–129; devices of, to establish right relations with public, 142–143; elimination of distributers by, 163; method of solution of problem of eliminating distributers by, 179–180; source of greatest success of, 217–218; operating expenses in shoe departments of, 229.
Distributers of merchandise, types of, 29–38; methods for elimination of, 163–186.
Distribution, problem of, in business terminating in retail sale, 24; costs of, 217–224.
Drop shippers, methods of, 170.
Drug store, evolution of the, 64.
Dry goods jobbing business, changes in, 165–173.
Durfee, Randall N., quoted on improved cotton-marketing methods, 107–109.

Ebenezer community in Iowa, co-operative system of, 184.
Economy stores, 129, 200–202.
Eggs, financing of marketing of, 112–114.
Elevator companies, financing of movement of wheat by, 109–112.
Equipment of establishment, as a sales function, 126–129; attempts to reduce burden of, 129–133.

Farmers' Gin Compress and Cotton Company, 106.
Farmers' union warehouses, 104–105.
Farm products, storing function in marketing of, 83–89.
Federal Trade Commission, accounting system of, 212.
Field of marketing, schedule presenting, 25–27.
Financing of mercantile transactions, 103–115.
Free deliveries by stores, 144.
Future contracts, a risk-distributing device, 118; principle of, 118–119; illustration of, in cotton trading, 119–122; speculative abuses which sometimes accompany, 123–124.

Grading function in marketing, 73–81.
Grain, grading of, 75.
Great Atlantic and Pacific Tea Company, economy stores of, 200–202.
Grocers, coöperative distributing organization of, 179.
Grocery stores, plan for telephone order stores, 196–197; figures of costs of doing business in retail, 226; statistics of wholesale, 227; operating expenses in wholesale, 233.

Hardware, selling of, under brand, 157–158.
Hardware stores, operating expenses in retail, 232.
Harvard Bureau of Business Research, system of accounts of, 212, 213; tables by, quoted, 225–234; list of bulletins issued by, 234.
Hazards of business, assumption of, 117–125.
Heat and light, as components of retailing cost, 206.
Hedge, assumption of speculative risks by the, 124; principle of the, 124–125.

Illinois, grain grading in, 75.
Illiteracy, decreased percentage of, 191.
Ingersoll, W. H., article by, on distribution, quoted, 98–100.
Insurance, as an assumption of risks, 117–118; future contracts a kind of, 118–122; by means of the "hedge," 124–125.
Integration, device called, 22–23.
Interlocking directorates, reason for, 23.
Iowa, typical relations between population and distributing mechanism shown by, 93–96.

Jewelry, slow turnover and large profits illustrated by, 215.
Jobbers, attempts to eliminate, 163–182.
Job lot stores, 200.

Kansas, plan for licensing grocery retailers in, 133.
Kentucky Wagon Company, try-out of direct-contact form of marketing by, 11.

Large-scale production, complication of marketing problem due to, 2–3; effect of, on direct-sale system, 40; limiting point of advantages of, 194.
Lease and royalty contract, form of sale by, 48, 49.
Licensing of retailers, plan for, 133.
London, wool sales in, 70.

Macy & Co., manufacturing activities of, 180–182.
Mail-order retailing, 36, 220–221.
Manufactured products, grading in marketing of, 80–81.
Maps showing relation between population and distributing mechanism, 93–97.
Marketing, use of term, 1–2; simple forms of, 2; reasons for growth of more complex forms of, 2–4; development and growth of facilities for, 4–5; the elements of, 6 ff.; essential task of, to effect transfer of ownership of goods, 6; elementary problems of, 7; difference in methods of, in larger transactions, 7–9; by direct contact, indirect contact, and artificial contact, 10; merchandise, auxiliary, and sales functions of, 14–17; three classes of, 19 ff.; division based on character of final sale, 19–20; second division, found in materials that remain in existence and use as part of productive equipment after disappearing from commerce, 20–21; third division, that of goods which disappear from commerce to go into individual consumption or household use, 21; schedule showing field of, 25–27; types of merchandise distributers in mechanism of, 29–38; functions and functionaries of, 40–56; the assembling function, 57–71; the grading function, 73–81; the storing function, 82–89; the transporting function, 91–101; financing of transactions, 103–115; assumption of risks in, 117–125; simplification of functions of, 190–203.
Merchandise distributers, types of, 29–38.
Merchandise functions of marketing mechanism, 14–15.
Merrill, J. C. F., memorandum by, 76.
Middlemen, as part of distributing mechanism, 54; illustration of function of, 59; book on, quoted, 60–62.
Minerals, grading of, 80.
Minnesota, grain grading in, 75.
Missouri, grain grading in, 75.
Mormons, coöperative system among, 183–184.

Ownership, transfer of, in exchange for an equivalent, the task of marketing, 6.

Page, Edward D., *Independent* article by, cited and quoted, 165, 166.
Pennington, Mary E., quoted on cold storage, 83–85.
Personnel, as a sales function, 135–141.
Philadelphia, retail grocers' coöperative distributing organization in, 179.
Piggly Wiggly stores, 131–132.
Place, adjustments of, the transporting function, 91–101.
Population increase, changes in consumption conditions due to, 190–191.
Porter, E. H., quoted on "Why Coöperatives Fail," 183–186.
Potatoes, grading function in sale of, 74.
Prince, Lucinda W., work of, in Boston School of Salesmanship, 138.

Profits, relation between speed of turnover and, 214–215.

Quality, adjustments of, the grading function, 73–81.
Quantity, adjustments of, the assembling function, 57–71.

Railway mileage, relation of increase of, to conditions of consumption, 191.
Rent, as component of retailing cost, 206.
Retailer, variable meaning of term, 30.
Retailers, statistics of, 32–34, 225, 226, 228, 230, 231, 232; classification of, as regular and otherwise, 35–37.
Retailing, functions connected with, 16.
Retail price, components of a, 204–216.
Risks, assumption of, in marketing, 117–125.
Rochdale stores in England, 183.

St. Louis, fur auctions at, 70.
Salaries, as component of retailing cost, 206.
Sales functions of marketing mechanism, 15–17; equipment, 126–133; personnel, 135–141; relations with the public, 142–148.
Sammons, Wheeler, table prepared by, 206.
Sawyer, A. J., quoted on financing of wheat movement, 109–112.
Self-serving stores, 200.
Shoe stores, statistics of costs of retail, 225, 230, 231; operating expenses in chain, 228; expenses in shoe departments of department stores, 229.
Soda fountains, as illustration of needless elaboration of equipment, 127–128.
Specialty store, the, 218.
Speculation in future contracts, 123–124.
State licensing plan for retailers, 133.
Stix, Sylvan L., address by, 130–131.
Storing function in marketing, 82–89.
Sturbridge Fair, Defoe's description of, 65–70.
Suggestive selling, system of, 137–138.
Sully, Daniel J., quoted on plan for cotton-warehouse chain, 106.
Supplies, as component of retailing cost, 206.

Telephone, relation of, to changed conditions of consumption, 191, 192.
Telephone order houses, suppositious plan for, 196–197.
Texas, farmers' union warehouse system in, 104.
Thrift stores, 129, 200.
Time, adjustments of, the storing function, 82–89.
Transporting functions in marketing, 91–101.
Turnover, relation between speed of, and profits, 214–215.

United Drug Company, 30, 218; elimination of distributers by, 173–174; account of, 174–178.
United Fruit Company, system of distribution operated by, 100–101.
Utility as a price-making factor, 21.

Vegetables, shipment of, from the South, 101.
Volume of sales, relation of final price to, 214–215.

Warehouse receipts, system of, 80.
Warehouses, farmers' union, 104–105; for storing cotton, 105, 106, 107–109.
Waste, reduction of, by storing, 89.
Westerfield, R. B., *Middlemen in English Business* by, quoted, 60–62.
Wheat, storage of, 82; financing of marketing of, 109–112; assumption of risks in marketing of, 125.
Wholesale trade, changes in, 221–222.
Wool, future trading in, 124.

Yeast cakes, speed of turnover and small retail profits illustrated by, 215.

Printed in the United States of America.

ALBERT R. MANN
LIBRARY
AT
CORNELL UNIVERSITY

CORNELL UNIVERSITY LIBRARY
3 1924 073 919 379

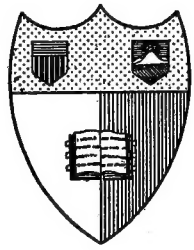
The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924073919379

Production Note
Cornell University Library produced this volume to replace the irreparably deteriorated original. It was scanned using Xerox software and equipment at 600 dots per inch resolution and compressed prior to storage using ITU Group 4 compression. The digital data were used to create Cornell's replacement volume on paper that meets the ANSI Standard Z39.48-1992. The production of this volume was supported by the National Endowment for the Humanities. Digital file copyright by Cornell University Library 1995.

Scanned as part of the A. R. Mann Library project to preserve and enhance access to the Core Historical Literature of the Agricultural Sciences. Titles included in this collection are listed in the volumes published by the Cornell University Press in the series THE LITERATURE OF THE AGRICULTURAL SCIENCES, 1991-1996, Wallace C. Olsen, series editor.



New York
State College of Agriculture
At Cornell University
Ithaca, N. Y.

Library

PRINCIPLES OF MARKETING

THE MACMILLAN COMPANY
NEW YORK · BOSTON · CHICAGO · DALLAS
ATLANTA · SAN FRANCISCO

MACMILLAN & CO., LIMITED
LONDON · BOMBAY · CALCUTTA
MELBOURNE

THE MACMILLAN CO. OF CANADA, LTD.
TORONTO

PRINCIPLES OF MARKETING

BY

FRED E. CLARK, PH.D.

ASSOCIATE PROFESSOR OF ECONOMICS AND MARKETING IN THE NORTHWESTERN UNIVERSITY SCHOOL OF COMMERCE

New York

THE MACMILLAN COMPANY

1922

All Rights Reserved

PRINTED IN THE UNITED STATES OF AMERICA

HF
5415
C53
1922a

COPYRIGHT, 1922,
BY THE MACMILLAN COMPANY.

Set up and electrotyped. Published September, 1922.

PREFACE

The purpose of this book is to treat of the nature of the marketing process, viewing the market structure as a whole and analyzing marketing problems and the devices used in solving them. In doing this I have tried to discuss the most fundamental of the problems and principles involved. Descriptive material has been used when it seemed essential to the illustration of principles, and economic theory has been introduced wherever it would promote the discussion of particular points.

The form of treatment is functional. But sufficient informational material has been introduced, early in the book, to give a background from which to develop the functional approach. With this in view the first two chapters discuss the general nature of marketing and introduce the marketing functions. Chapters III–V discuss the problems, methods, and machinery used in marketing farm products. Chapter VI treats of the marketing of raw materials. Since many of the problems found in marketing raw materials are similar to those involved in marketing farm products, the treatment here is from the buying rather more than from the selling point of view. In the four chapters which follow, the marketing of manufactured products is discussed. Two chapters are then devoted to retailing and one to coöperative distribution. Chapter XIV serves a double purpose. In it is discussed the general topic of the elimination of middlemen, and at the same time it serves indirectly as a convenient summary of previous chapters. This summarization prepares the reader for the discussion of the specific functions and problems which comprises the remainder of the book.

This method of presentation is a development of several years' experience in teaching marketing. First used as lecture notes, these chapters have been revised from time to time and

for the past four years have been used in mimeographed form in my own classes and by instructors in a few other large universities. Because the conditions under which marketing courses are given in colleges and universities are so various that no one form of presentation is likely to prove adapted to all needs, ample cross references are used and some repetition is indulged in. The rather copious footnote references of the earlier mimeographed editions have been largely retained. Such specific references seem to serve better as a basis for collateral reading and class reports, and as a source for lecture material, than do more general bibliographies.

The names of the business men and of others who have helped me from time to time—in conference, and by letter, and with access to confidential information or to information not in published form—are too numerous to give. There are, however, a few to whom I am particularly indebted. All students of marketing are under obligation to the early analyses of market problems made by A. W. Shaw in his "Some Problems of Market Distribution" and by L. D. H. Weld in his article, "Marketing Functions and Mercantile Organization" (*American Economic Review*, June, 1917). I am personally indebted to Mr. Weld for constructive criticism of parts of my manuscript. I wish, also, to acknowledge the help of several others who have rendered special assistance of one kind or another: K. W. Colgrove, R. S. Forsythe, C. E. Griffin, C. O. Hardy, O. B. Jesness, E. D. Jones, W. E. Lagerquist, W. H. Moorhouse, E. G. Nourse, V. H. Pelz, F. A. Russell, and W. K. Smart. My colleague, Professor H. B. Vanderblue, read the entire manuscript in its earlier stages of development, at a time when his careful criticism was most helpful. My greatest indebtedness is to my wife, Carrie Patton Clark, who has assisted at all stages in the preparation of the manuscript and in getting the book through the press.

FRED E. CLARK.

August 2, 1922.

CONTENTS

PAGES

PREFACE . . . . . v–vi

CHAPTER I

INTRODUCTION 1–9

Marketing defined, 1; Different group interests, 1; Concentration and dispersion, 2; A market, 3; Channels of distribution, 5; Classes of middlemen, 5; Classes of goods, 7.

CHAPTER II

THE MARKETING FUNCTIONS 10–28

The marketing functions named, 10; Demand creation, 12; Nature of demand creation, 13; Modern emphasis of demand creation, 14; Rôle of demand creation, 15; Assembly, 16; Assembly by manufacturers, 18; Concentration and dispersion a part of assembly, 19; Transportation and storage, 19; Financing, 22; Risk-taking, 23; Standardization, 23; Bases of sale, 24; Nature of standardization, 26; Grading, 27; Summary, 27.

CHAPTER III

MARKETING FARM PRODUCTS 29–54

Characteristics of agriculture, 29; Variation in methods of marketing farm products, 30; Problems involved, 32; The Farmer and marketing, 36; Demand creation and the agricultural market, 38; Concentration and dispersion of farm products, 39; Methods of sale vary, 43; Direct sale: grower to consumer or manufacturer, 43; Sale to local middlemen, 46; Sale to middlemen in outside markets, 54.

CHAPTER IV

THE WHOLESALING OF FARM PRODUCTS 55–73

Establishing business connections, 55; Facilities of wholesale markets, 55; Distribution from central markets, 56; Classes of markets, 58; Functions of wholesale markets, 62; Central markets, 62; Dispersion from central markets, 65; Primary markets, 66; Seaboard markets, 67; Cotton and wool markets, 67; Exchanges and auction companies, 68; Jobbing markets, 69; Both jobbing and central markets in some cities, 70; The retail market, 71; Summary, 72.

CHAPTER V

PAGES

MIDDLEMEN OF THE AGRICULTURAL WHOLESALE MARKET . . . 73–89

Confused nomenclature, 74; Operations of wholesale middlemen, 74; Specialization by products, 77; Business relations of wholesale middlemen, 77; Commission dealing, 78; Outright purchase, 78; Rise of outright purchase from commission dealing, 81; Both business relations prevail in some lines, 83; The wholesale receiver, 84; The broker, 85; The jobber, 86; The auction company, 87; Middlemen who speculate, 88; Functional specialists, 88.

CHAPTER VI

MARKETING RAW MATERIALS 90–110

Small scale production of raw materials, 90; Transportation problem, 91; Need for standardized materials, 93; Inspection and grading, 95; Concentration of raw materials, 96; Importance of middlemen, 97; Need for continuous and assured supply, 99; Methods of assuring a supply, 99; Dependence on current supplies, 99; Contracts for future delivery, 101; Purchase of a season's supply, 102; Control of sources, 106; Summary, 109.

CHAPTER VII

MARKETING MANUFACTURED PRODUCTS 111–132

Control of quality and quantity, 111; Faith in the producer, 111; Large scale production and tendency to overproduction, 112; Need for demand creation, 113; Changing conditions, 114; Integration, 115; Wholesale markets, 115; Central wholesale markets, 117; The sale of manufactures, 119; Classes of manufactures, 120; Production for the market, 124; Selling consumption goods, 124; Division of market work, 125; Channels of distribution, 126; Combination of channels, 131.

CHAPTER VIII

WHOLESALE MIDDLEMEN OF THE MANUFACTURER'S MARKET: THE JOBBER 133–152

The jobber, 133; The jobber's service to the retailer, 134; The jobber's service to the manufacturer, 137; Going "around" the jobber, 140; Jobbing lowers costs, 141; Jobbers "eliminate" manufacturers, 141; Private brands, 142; Integration, 146; Jobber types, 146.

CHAPTER IX

WHOELSALE MIDDLEMEN OF THE MANUFACTURER'S MARKET (continued) 153–168

Commission house, 155; Elimination and integration, 156; Manufacturer's sales agent, 157; The broker, 159;

PAGES

Summary, 160; Buying middlemen, 161; The merchant-converter, 162; Some highly specialized functional agencies, 163; Middlemen of foreign trade: The Commission house, 164; The export merchant, 166; Manufacturer's agent, 167; Coöperation in export trade, 168.

CHAPTER X

DIRECT MARKETING OF MANUFACTURED PRODUCTS 169–184

Tendency toward direct marketing, 169; Jobber losing ground, 170; Jobbers and demand creation, 173; Products the jobber sells best, 174; The jobber and new products, 175; Jobber brands, 175; The manufacturer who does not brand, 175; Cost the determining factor, 177; Manufacturers must duplicate service of jobber, 180; Advertising and direct marketing, 181.

CHAPTER XI

RETAIL DISTRIBUTION 185–207

The retail service, 185; Types of retail establishment, 186; The country general store, 186; The unit store, 187; Technical aspects of retail development, 190; Manufacturing progress and retailing, 191; Buying, 193; Selling assistance from manufacturers and jobbers, 194; Tendency toward better service, 195; Advertising and the retailer, 195; New problems, 196; Widespread inefficiency, 197; Retail methods and policies, 198; Elaboration of service, 198; Other policies, 199; Retail brands, 200; Stock-turn, 201; Stock-turn and prices, 203; Buying and sales effort, 204; Further consideration of stock-turn, 204; Advertising and departmentization, 205.

CHAPTER XII

LARGE SCALE RETAILING 208–237

Advantages of large scale retailing summarized, 208; Specialization of men and departments, 208; Economy in overhead expense, 209; Rapid turnover, 210; Special services: adequate stock, 211; Buying power, 212; Integration, 215; Disadvantages, 216; The department store, 218; advantages, 219; High expense, 220; Personnel problems, 222; The large mail order house, 223; Its rise, 225; Methods, 225; Two greatest advantages, 226; Systems, 228; Disadvantages, 228; The chain store, 230; Means of control and ownership, 231; Chain store vs. specialty store, 232; Peculiar advantages, 233; Turnover, 234; Personnel problem, 236; Consolidation, 236; Future of the chain store, 237.

CHAPTER XIII

PAGES

DISTRIBUTIVE COÖPERATION 238–270

Coöperative organization vs. independent organization, 239; Agricultural coöperation, 242; Organization features, 243; Largely confined to local markets, 244; Purpose of local associations, 245; Improved grading and improved products, 247; Federation of growers' associations, 248; Extent of wholesale activities, 249; California Fruit Growers' Exchange, 251; The Central Exchange, 252; United States Grain Growers Incorporated, 254; Costs, 256; Combating specific evils, 256; Social results, 257; "Orderly marketing" and "stabilization" of price, 257; Failures, 258; Results, 259; Consumer Coöperation, 260; History of the English movement, 260; Coöperative wholesaling, 261; Failures and successes, 261; The nature of consumer coöperation, 262; Use of surplus above costs, 264; Integration, 265; Economic aspects, 265; Some selling costs cut down, 266; The "coöperative spirit," 267; Weak elements in American consumer coöperation, 268.

CHAPTER XIV

THE ELIMINATION OF MIDDLEMEN 271–292

Definition and limitation, 272; Nature of criticism, 273; Who can eliminate middlemen?, 274; The situation in the agricultural market, 275; Direct buying by manufacturers, 277; Directing marketing of manufactured products, 278; The arguments for elimination, 280; Who profits from "elimination"?, 282; The importance of service, 283; The problem is one of the control of specialization, 283; Specialization and integration, 284; Industrial conditions affect market integration, 285; Conditions which make integration feasible, 286; Importance of individual characteristics, 288; "Profiteering," 289; Final conclusions, 290; Summary, 292.

CHAPTER XV

PHYSICAL DISTRIBUTION 293–324

Importance of transportation, 293; Factors determining efficiency, 295; The relation of transportation to market areas, 296; Carload rates, 297; Carload rates and jobbing, 298; Some special features of transportation service, 300; Diversion in transit, 303; Transportation costs, 305; Local trucking, 307; Handling products at terminals, 309; Congestion in terminal markets, 312; Storage, 313; Causes for storage, 314; Two kinds of storage, 315; Nature of storage service, 315; Care of merchandise, 316; Place of Storage, 317; Finance and storage, 318; Control of storage facilities, 320; Storage and prices, 322; Cold storage, 323.

CHAPTER XVI

PAGES

MARKET FINANCE 325–349

Causes of seasonal needs, 327; Conditions determining current financial needs, 328; Middlemen and finance, 333; Stock-turn and finance, 335; Source of funds and means of extending credit, 336; Types of credit, 336; The credit period, 338; The Security for credit, 339; The seller and the bank, 341; Short time loans, 342; The cash discount, 342; Cash payment and the bank, 345; Particular credit devices, 346; Drafts, 348; Commercial paper, 348; Cold storage finance, 349.

CHAPTER XVII

MARKET RISK 350–379

Time risks, 350; Place risks, 351; The influence of roundabout production on risk, 352; Risks of competition, 353; Other risks, 354; Some methods of minimizing risk, 354; Minimizing market risks, 355; Minimizing risk through knowledge of the market, 356; Shifting risk, 357; Contracts shift risk, 358; Contracting minimizes total risk, 359; Middlemen and market risk, 360; The residual risk, 361; Organized dealing in "futures," 361; Shifting risk through hedging, 362; Contracting for future delivery, 364; Trade and speculative profit, 365; All risk is not eliminated by hedging, 370; Speculation, 372; Effect of speculation on prices, 374; Evils of speculation, 375; Insurance, 377; Conclusion, 378.

CHAPTER XVIII

MARKET NEWS 380–395

Importance of market news, 380; Problems arising from inadequate news, 381; Market news and business policies, 382; The market forecast, 382; Interpretation of market news, 383; Sources of market news, 384; Dissemination of market news, 385; News of the agricultural market, 386; News of manufacturers' markets, 387; Open price associations, 389; Important sources of foreign trade news, 390; News of general commodities, 391; General market conditions, 392; Control of market news, 392; News collected and dispersed by the government and by associations, 394; Conclusion, 395.

CHAPTER XIX

STANDARDIZATION 396–407

Standardization makes exchange easier, 396; Standardization aids physical supply, 398; Bases for standards, 398; Responsibility for the observance of standards, 400; Standards and the buyer, 401; Mass selling methods call for standardization, 401; The container and standards, 402; Methods of standardization, 402; Advertising and

PAGES

branding standardized goods, 403; Not all standardized goods sold by description, 403; The need for standards, 404; What has been done?, 406.

CHAPTER XX

COMPETITION AND PRICES 408–421

Price defined, 409; Competitive prices, 409; Varying costs of production, 411; Two types of price, 413; Fundamental importance of demand and supply, 414; Speculative prices, 415; Monopoly, 416; Consumer desires limit monopoly, 417; Determining monopoly price, 418; Semi-monopoly power common in competitive lines, 419; Government control and operation of monopoly, 420; Customary and convenient prices, 421.

CHAPTER XXI

MARKET PRICE 422–446

Price limits, 422; Importance of retail prices, 423; Retail price determination, 424; The "mark-up," 424; Customary and convenient prices, 426; Price estimating, 426; Suggested prices, 426; Price understandings, 427; Following competitors' prices, 427; How prices evolve, 429; Prices of production goods, 430; Prices of consumption goods, 430; Prices of equipment, 431; Consumer demand limits prices, 433; Price fluctuations, 434; Prices in different markets, 435; Retail prices, 436; Producers' prices and wholesale market prices, 438; The importance of the wholesale price, 439; The Limits to market areas, 440; Is market price determinable in advance?, 443; Prices constantly on trial, 445; Increasing demand at the same price, 445; Increased demand through lower prices, 446.

CHAPTER XXII

PRICE-MAINTENANCE AND UNFAIR COMPETITION 447–472

Price-maintenance, 447; Some remedies for price-cutting, 447; Emergence of the price-maintenance problem, 448; Price-maintenance defined, 451; legal status, 451; Arguments concerning price-maintenance: the manufacturer, 454; The manufacturer's status, 456; Price-maintenance and the middleman, 457; Retail monopoly argument, 458; Price-maintenance and efficiency, 462; The manufacturer's dilemma, 463; Unfair competition, 466; Competition and economic effectiveness, 466; Unfair methods and big business, 466; Unfair price practices, 467; Other price-cutting methods, 468; Closing channels of distribution, 470; Dishonest and questionable practices, 471; Unfair competition and the public: Conclusion, 472.

CHAPTER XXIII

PAGES

THE RELATION OF THE STATE TO MARKETING 473–493

Types of state effort: relative importance, 473; The conflict of interests, 474; Two opposing views of governmental regulation, 475; *Laissez faire*, 476; Extreme interference, 477; Efforts of the state to elevate the plane of competition, 481; The efforts of associations, 482; Mandatory acts which elevate the plane of competition, 484; The control of monopoly, 487; Efforts to make distribution more effective, 490.

CHAPTER XXIV

THE ELEMENTS OF MARKETING EFFICIENCY 494–504

"Private" and "public" points of view, 494; Components of marketing efficiency, 495; Problems of technical efficiency, 496; Effects of market system upon production and consumption, 497; Criticism of the competitive régime, 498; Importance of service, 501; The determining conditions of modern marketing, 502.

CHAPTER XXV

THE COST OF MARKETING 505–519

The lack of cost data, 507; Cost of marketing farm products, 508; Cost of marketing manufactured products: Staple lines, 511; Cost of marketing specialties, 513; The cost of retailing, 514; Costs of marketing production goods, 517; Conclusions, 517.

CHAPTER XXVI

FINAL CRITICISM 520–545

The wastes of competitive selling, 520; Importance of demand creation reviewed, 522; Competitive costs eliminated when recognized standards prevail, 523; Branded staples introduced to reduce price competition and control the market, 524; Cause for excessive selling cost: Inability of consumer to judge, 526; Importance of standardization to improved marketing, 527; Who is responsible?, 529; Psychical element in sales, 529; The middleman system and marketing costs, 530; Are there too many competing firms?, 530; Meaning of the term "too many stores," 533; Relation of number of stores to volume of transactions, 533; More market machinery a result of modern methods of production, 534; Excessive costs of retailing not all borne by the immediate consumer, 534: Advantages of small store to consumer, 535; Question of the economies of large retail stores, 536; "Profiteering" not confined to middlemen, 537; Some evils of competition: excessive costs, 537; Excessive stocks, 538, Competition and quality, 539; Poor adjustment of demand and supply, 540; Socialism, 540; Coöperation, 541; Public markets, parcel post and express, 542; Coöperation and combination among competitors, 543; Conclusion, 545.

INDEX 547–570

PRINCIPLES OF MARKETING

CHAPTER I

INTRODUCTION

Marketing consists of those efforts which effect transfers in the ownership of goods, and care for their physical distribution. The need for marketing grows out of the division of labor, particularly as manifested in large scale production and in the localization of industry. This division of labor, in turn, is due to the diversity of human wants—a diversity which arises not merely from the demand for the prime necessities of life, but from that far greater number of acquired wants which result from the seemingly limitless possibilities for human beings to expand and develop their desires.

Different Interests.—Marketing is engaged in by the producer, the consumer, and certain specialized agencies including those commonly called middlemen. To each of these, marketing appears in a different light: to the farmer, lumberman, fisherman, miner, or manufacturer, it affords a means of disposing of his surplus products and of purchasing the materials, equipment, and supplies necessary to production; to the consumer it affords a means through which desired commodities are made available; to the middleman and other market specialists it affords a source of business income. The attitude of each of the three groups involved in marketing must be understood before the subject can be intelligently approached.

The producer is interested in marketing since it affords the means through which he can sell his product. He wishes to

sell for as much as possible. The consumer, on the other hand, desires to stretch his income as far as possible. He wants to buy for as little as he can. Purely as consumer or as producer neither has a particularly altruistic attitude toward the other. Thus, when the prices of farm products rise the farmer rejoices and the consumer feels aggrieved, but when the prices of farm products fall the farmer grieves and the consumer rejoices. Finally, just as the interest of the producer is to sell at the price which will bring him the largest ultimate profit, and just as the interest of the consumer is to buy at that price which will make his income go farthest, so the interest of the middleman and the other specialists of the market is to sell their service, the marketing of products, for the highest net return.

It is evident, then, that the market process involves interests which conflict. But since no one is in all his relations to the market always in a single class, his interests differ from time to time. Each individual is likely to be in at least two of these classes, since most people buy and sell. When purchasing goods for consumption, or for use in production, each has the point of view of the consumer; when selling his services or his product, each has the point of view of the producer.

Concentration and Dispersion.—The market machinery of today has been built up about a twofold flow of products. One gathers and concentrates the basic raw materials and food stuffs at central points. The other disperses them toward the ultimate consumer, sometimes in their natural state, but usually after some degree of processing. Not only the products but the forces of demand and supply are concentrated at these central points. The transfer of title between producer and consumer is greatly facilitated by this process of concentration and dispersion, but it often leads to congestion in the physical distribution of the goods. Concentration is usually necessary even in the distribution of products sold in their natural state. This is true whether they be raw materials of

manufacture or commodities consumed in their original form. It is also common in the marketing of some manufactured goods which are used as production goods by other manufacturers. Concentration, particularly of farm products, usually involves two steps. One is preliminary concentration near the source of production, by means of which the products of numerous small producers are gathered together in larger quantities. The other involves the concentration of these products by the large dealers in central markets. From these central markets the products so concentrated are then dispersed to manufacturers, in the case of raw materials, and to other dealers for further dispersion, in the case of products ready for final consumption.

The process of concentration and dispersion is by no means uniform with all products. For instance, some farm products are shipped directly from producers to central points, from which they are then dispersed, with or without further processing, toward the ultimate consumer. Others are first collected at local markets, and are then sent to the central markets. Sometimes merchandise is dispersed in large quantities from central markets to smaller markets and from there distributed to consumers. Sometimes it goes directly from central market to consumer. Many products pass directly from producer to consumer. The great majority of products are first concentrated as raw materials and then dispersed as manufactured products.

Diagram I illustrates the point which has just been made. It is impossible, however, to indicate the relative number of producers, consumers, and other parties involved. To do so it would be necessary to show a much larger number of producers and consumers and also of middlemen who deal most directly with them, such as country shippers and retailers.

A Market.—At each point where a specific commodity is concentrated for sale a market is found. This is true whether it is being concentrated for further concentration, for dispersion, or, as often happens, for both purposes. Indeed, a market

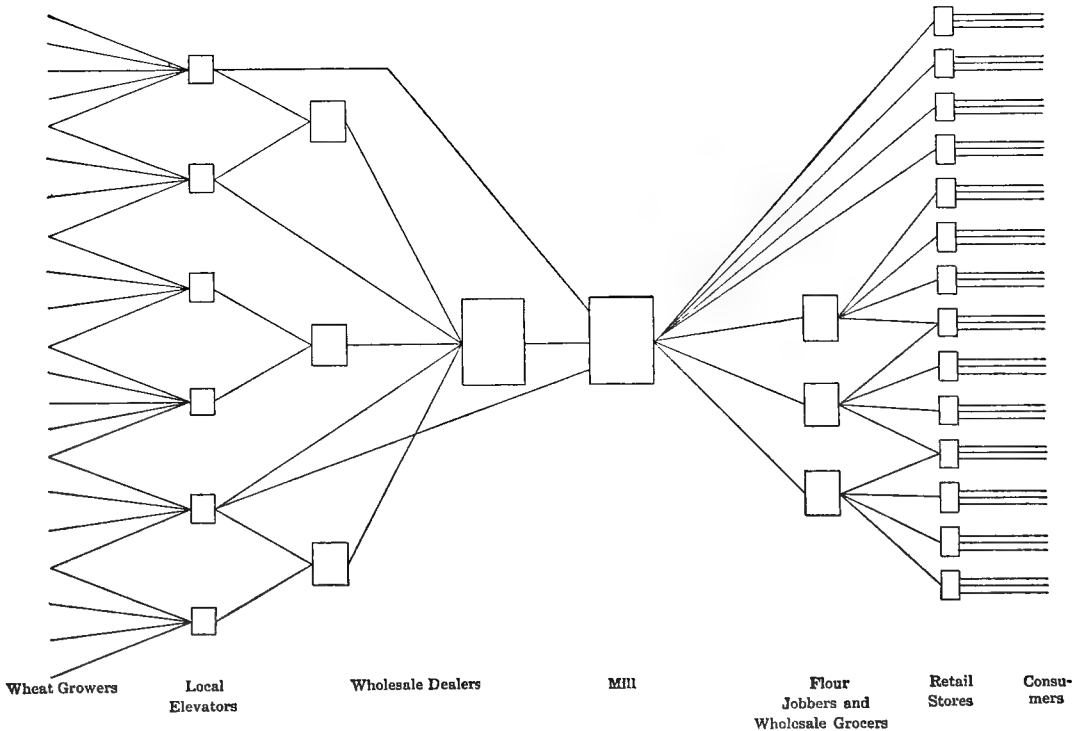


DIAGRAM I.—Concentration of Wheat and Dispersion of Flour

always exists unless the step is controlled by a single business man. In that case no change of title is involved.

A market is, then, a center about which the forces leading to exchanges of title operate, and toward which and from which the actual goods tend to travel. It leads to clarity of thought to bear these two aspects of market structure constantly in mind; i. e., that the market structure is built about two processes: the transfer of the title to goods from producer to consumer, and the physical transfer of the goods themselves. But the physical presence of the goods is not essential to a market, for the distinguishing characteristic of a market is the fact that transfers of title take place therein.[1]

Channels of Distribution.—The methods by which this dual transfer of goods and title is carried on vary greatly. In consequence, many channels of distribution are found, the nature and form of which depend on the nature of the product, the conditions of its supply and demand, and the development of market technique. By the term "channel of distribution" is meant primarily the course taken in the transfer of title. The transfer of the goods themselves may or may not be through the same channels. In some cases title to goods is passed several times while they are en route or in storage. But ordinarily the goods themselves pass along the same channel as does the title.

Classes of Middlemen.—Title may be transferred through direct purchase and sale between the producer and the consumer. This is frequently true of raw materials sold to manufacturers and of goods sold in large quantities by one manufacturer to another. On the other hand, title may be transferred to the final purchaser only as a result of the activity of one or more middlemen who may, or may not, hold the title themselves. Middlemen are, in fact, sometimes classified on the basis of their relation to the transfer of title. Those who buy goods outright, and thus take title, are merchants.

[1] For a discussion of the relations between different markets for the same commodity, see pp. 435–439.

Those who assist directly in bringing about the transfer of title, but who do not themselves take title, are functional middlemen of exchange. They are functional middlemen because they specialize in the performance of a single market function —the transfer of title. Their efforts are directed, primarily, toward expediting or making more convenient the exchange of ownership. But they do not take title to the goods as does the merchant. Retailers, jobbers, and wholesale receivers are the most common of the merchant class. Brokers, selling houses, and commission men are common examples of functional middlemen of exchange.[2]

A third group of market agencies, sometimes called functional middlemen, should also be distinguished.[3] They are individuals, firms, and corporations, specializing in the performance of a part or all of the work involved in some one type of market activity. Railroads, public warehouses and cold storage plants, inspectors and graders, banks, and insurance companies, are common examples. Such agencies serve producers, middlemen, and consumers in a specialized capacity. They are not, however, properly called middlemen, because that term should denote direct assistance in the transfer of title.

An important distinction can likewise be drawn between middlemen who are engaged primarily in concentrating products and those who are engaged primarily in dispersing them. Middlemen for the dispersion of products are particularly essential in the distribution of consumption goods. Jobbers and retailers occupy an especially important position. The former assemble products from manufacturers and concentrating middlemen. Then they disperse them to retailers, who in turn disperse to the consumer. Whereas middlemen who concentrate products tend to specialize in handling one particular

[2] The advertising agency could well be classed here. All of its activities are directed toward demand creation, and in addition it acts as a space broker.

[3] See A. W. Shaw, *An Approach to Business Problems*, pp. 160–163.

product or very similar ones, dispersing middlemen usually handle a wide variety. Thus, local shippers to some extent, and central market receivers to a large extent, handle grains alone, or fruit and vegetables, or butter and eggs, or live stock, or perhaps even a single grain, one fruit, eggs, or cattle, alone. Jobbers, on the contrary, tend to handle a wide range of commodities, the range depending in large part on the needs of the retailers whose wants they supply. There are, accordingly, grocery, green goods, meat, hardware, dry goods, and drug jobbers, just as there are groceries, fruit and vegetable stores, meat markets, hardware, dry goods, and drug stores.

Classes of Goods.—Notwithstanding the fact that all production is guided by the wants of the ultimate consumer, large volumes of goods are not desired for personal consumption. In fact, three important classes of goods can be distinguished:

1. Goods for personal consumption
2. Production goods: materials to be further processed, which consist of
   - *a.* Raw materials in their natural state
   - *b.* Semi-manufactured goods
   - *c.* Completely manufactured parts—to be assembled
   - *d.* Supplies
3. Equipment for use in production and distribution.[4]

The production of goods for personal consumption is the final aim of the productive process.

[4] To the economist the creation of utilities, such as those of substance, of form, of time, and of place, is production. Thus, in the cotton industry the creation of substance utilities is involved in the work of the plantation on which the cotton is grown; form utilities are created in the various factories in which the raw fibre is manufactured into cloth; place utilities are created by the transportation agencies involved; and time utilities are created at any point at which materials or the final products are stored. It will thus be seen that the creation of time, place, and possession utilities is included in the process known as production. In the text, however, the term "production" will generally be used in the narrower sense which excludes these activities and includes

Production goods may eventually reach the status of goods ready for personal consumption, they may be partially or completely consumed in producing other goods, or they may be processed into equipment and supplies. There are four important classes of these production goods: (*a*) raw materials in their natural state, such as coal, iron ore, wool, cotton, wheat; (*b*) semi-manufactured goods which must be further processed by those who use them, such as pig iron, leather, flour, cotton "in the grey"; (*c*) manufactured products which will receive little or no further processing themselves but which are to be assembled with other products, such as cloth, buttons, bolts, screws, and automobile parts; (*d*) supplies, such as oil, stationery, and coal used for power. Supplies are goods which are used to assist production or marketing, but which do not become a part of the final product. These could be considered as a fourth general class. Their merchandising characteristics, however, warrant including them as a subclass under production goods.

The third class of goods—equipment—is used by producers and dealers in expediting production and marketing. These goods seldom become the object of further exchange. Such capital assets as office furniture and equipment, factory machinery and power plants, should be included here.[5]

A particular product may serve different purposes. Consequently, its place in this classification may change with the uses to which it is put. Coal, for example, should be classed with consumption goods when used by the householder, with production goods when used in the production of coke or coal

only the creation of substance and form utilities. The terms "marketing" and "distribution" will be used synonymously. This use of the terms "production" and "distribution" accords with well accepted usage in the field of industry and makes for clarity in discussion.

[5] For a somewhat similar classification see M. T. Copeland, "The Scope and Content of a Course in Marketing," *Journal of Political Economy*, Vol. XXVIII (May, 1920), pp. 375–398, reprinted as Part I of his *Marketing Problems*, pp. 2–3. See also P. T. Cherington, *Elements of Marketing* (1920), Chap. II.

gas, or in the generation of power. But most products fall either in one group or another, and even such products as coal, which are in more than one group because they have several uses, will be subject to conditions of distribution which vary with the use to which they are to be put. Since the conditions of distribution vary with the different classes of goods it is essential to keep this classification in mind when, from point to point in later discussions, these variations are discussed.

CHAPTER II

THE MARKETING FUNCTIONS

It is necessary now to return from this brief summary of the nature of marketing to the definition of marketing which was given in Chapter I. It was indicated there that there are two important aspects of marketing. The first consists of the process of buying and selling, by means of which transfers in the ownership of goods are effected. This is the central fact of modern distribution. The second aspect of marketing concerns the physical transfer of the product from producer to consumer.

The Marketing Functions.—In the process of transferring ownership two important functions—demand creation (selling) and assembly (buying)—should be distinguished. These are, in reality, complementary functions leading up to and accomplishing the transfer of title, but the purpose of each is different. The purpose of selling is to find a market in which the seller's available product can be sold at a profitable price. The purpose of assembly is to procure for the consumer at a satisfactory price the variety, quality, and quantity of goods which he desires, and to have them ready for his use at the proper time and place.

The functions which effect the physical transfer of products from producer to consumer are transportation and storage. Transportation involves the moving of products from their sources to the place of consumption; and storage involves the holding of products from the time of their production until the time of their consumption.

Three other functions are essential to marketing: financing, risk-taking, and standardization. The first two may be called

the "ownership" functions,[1] since their presence in the form in which we know them is due to the recognition of property rights. Standardization involves the arrangement of goods into groups determined by the size, quality, and quantity the market demands.

OUTLINE I. THE MARKETING FUNCTIONS [2]

A. Functions of Exchange
   1. Demand creation (selling)
   2. Assembly (buying)
B. Functions of Physical Supply
   3. Transportation
   4. Storage
C. Auxiliary or Facilitating Functions
   5. Financing
   6. Risk-taking
   7. Standardization

Each of the marketing functions is so important that it calls for separate and detailed discussion. In the present chapter, however, only the exchange functions—demand creation and assembly—will be discussed at length. The others will be introduced, but their more thorough analysis will be undertaken in Chapters XV, XVI, XVII, and XIX.

[1] See Homer B. Vanderblue, "The Functional Approach to the Study of Marketing," *Journal of Political Economy,* Vol. XXIX, No. 8 (Oct., 1921), pp. 676–683.

[2] This plan for presenting the marketing functions follows rather closely that outlined by L. D. H. Weld, in an article entitled "Marketing Functions and Mercantile Organization," which appeared in the *American Economic Review,* Vol. VII (June, 1917), pp. 306–318. I have also been assisted by the outline of functions found in Nourse, *The Chicago Produce Market,* pp. 129–131.

A. W. Shaw has outlined the "middleman's functions" with particular reference to manufacturer's marketing. He gives the following: sharing the risks; transporting the goods; financing the marketing operations; selling or creating demand; and assembling, assorting, and reshipping the goods. See his *An Approach to Business Problems* (1916), p. 157. P. T. Cherington, in his *Elements of Marketing* (1920), Chap. I, has adopted a grouping of the functions which corresponds closely to the one here presented.

Demand Creation.—The first essential to marketing a product is to bring seller and buyer in touch with one another. For no matter how great may be the desire of the one to sell and of the other to buy, no exchange can take place until each knows of the desire of the other. Moreover, many goods are not specifically desired by consumers, but must be brought to their attention, and a desire for the goods may even have to be created before they will be purchased. For products catering to the fundamental needs for food, fuel, and clothing, and generally utilized in meeting such needs, a universal demand exists; it is already created through the elemental and acquired wants of the individual. From this it follows that for the materials and for the machinery and supplies used in the production of these staple products, a demand likewise exists. There are other goods of which this is not true, and the creation of a demand for these is of prime importance to their producers. Such articles are sometimes called "specialties," and in general are luxuries or convenience goods.[3] They not only serve to gratify the primary needs, but also cater to those refined tastes which improved economic conditions have made possible to large numbers of the consuming public.

Improvements in production during the past century have lowered the costs of production of necessities and created a surplus of purchasing power for many individuals. This surplus above that needed by the consumer for the purchase of essentials need not be spent for any particular commodity or class of commodities. With the elemental wants gratified it may be spent for conveniences and luxuries.[4] Inasmuch as

[3] C. C. Parlin, *The Merchandising of Textiles,* pp. 5–6 (quoted in note 28 on pp. 222–223.

[4] "There is a drift toward a better quality of merchandise. From Maine to California, from Duluth to New Orleans, retailers asserted that the tendency to buy better goods is evident. This does not mean a tendency to buy extreme top-price articles. . . . But the drift toward quality means that there is a general lifting up of the lower grades of merchandise toward a medium or higher quality."—C. C. Parlin, *The*

there usually exists at a given time the capacity for producing more conveniences and luxuries, as well as more staple commodities, than the purchasing public is able or willing to buy at a price which will net a profit to the producers, it is evident that the sale of any individual producer's goods may depend primarily upon the success with which a demand has been created for them. There arises, then, a competition among producers of such articles, and each must bring his commodity to the favorable attention of prospective customers. A similar situation faces the producer of services. The typical retail merchant is an example. True, there is a demand for retail service in general, but any particular retailer could be eliminated with no great social loss. Hence each must create a demand for his particular services.

The foregoing discussion makes it clear that the consumer can usually exercise an independent choice of the goods and services he will consume. This fact often forces even the producers and merchandisers of commodities which gratify fundamental needs to compete for his patronage. This is illustrated by such commodities as branded flours. Flour caters to elemental wants, but an especial attempt is made to create a demand for each particular brand. Such products are sometimes called "branded staples," and the method of their sale indicates that the process known as demand creation is not confined to conveniences and luxuries. Even when the consumer knows that he needs an article and knows that he can buy it, he frequently requires a little encouragement before he will take the final step and make the purchase.

What Is Demand Creation?—But just what is demand creation? Its purpose is to control the direction of demand. The process consists in carrying ideas, or selling points, about a product or service from the seller to prospective purchasers.[5]

Merchandising of Textiles (1915), pp. 32, 33 (published by the National Wholesale Dry Goods Association).

[5] See A. W. Shaw, *An Approach to Business Problems,* Chap. VIII. The term "demand creation" is used here because it has been widely

There are three distinct methods of doing this. One is through the satisfaction derived from the use of the article itself. If the consumer has tried a product and likes it better than others he will buy that product the next time he needs one like it, provided the price is satisfactory. A second method is through personal solicitation by salesmen. The third consists of the use of advertising, by means of the written or printed word, pictures, diagrams, and symbols. The use of samples is sometimes considered as an independent method, but this is not correct, for they must be used in conjunction with personal solicitation, or advertising, or both. All of these methods are commonly used conjointly. The satisfaction derived from the product itself is not usually considered as a result of marketing effort, but rather as a result of good production. Good production, however—particularly of luxuries and conveniences, and to some degree of staples—is commonly due to a careful analysis of the needs and desires of consumers, which is a part of the marketing process.

Modern Emphasis of Demand Creation.—The creation of demand has probably always been associated with marketing, but it has become a peculiarly important feature of the modern system. This is particularly true of the marketing of goods for personal consumption. Increased power in production has brought on the market, either actually or potentially, a larger number of products than the public has been in the habit of consuming. Some of these are staple products, some are luxuries, and some are products new to the consumer. For staples

adopted. In many cases the phrase really expresses a wish rather than an actual result. For it is often true that real demand is not created as a result of any particular efforts, such as the producer's. Rather the buyer is placed in a favorable frame of mind toward a product by the efforts of the producer, but—if middlemen appear, or if the buyer does not purchase at once—later events must determine whether the favorable impression which has been created can be turned into demand. The ease with which a retailer can often divert to a substitute product the favorable impression created by national advertising is an illustration of this point.

and luxuries favorably known to the consumer a desire already exists, and the problem of the producers and merchandisers thereof is to sell their particular product in competition with others. But for new products, or for products desired by but a small number of consumers, little or no general desire exists. This is true despite the increased power in production, which has brought these products on to the market, and which has resulted in, and been accompanied by, an increased purchasing power in the hands of buyers. For the effect of the increased purchasing power as manifested in effective demand tends to lag behind the increased power in production; and there is, consequently, a constant tendency toward general overproduction, as well as toward overproduction in individual lines.[6]

The Rôle of Demand Creation.—This possibility that individual producers will make more products than the public will utilize of its own volition, or even more than it can purchase, gives point to demand creation. It becomes necessary for individual producers to create demand when that is possible—not only that their products may not accumulate on their hands, but also that they may utilize their capital in money, machines, and materials, as well as their time, to the best advantage. For it is the province of demand creation to make the public buy more of the things it is accustomed to consume, to purchase other products than is its habit, to buy one article in preference to another or several others of the same general kind, or to patronize one vendor rather than another.

Another factor in the growth of the effort directed toward the creation of demand is the desire of many producers to increase their sales, with a view to selling even more goods than the immediate needs of their organization as a going unit demand. But why? First of all is the mere desire for a large volume of business. In America in particular there

[6] Overproduction means that there are more goods on the market than will be bought at remunerative prices.

seems to have developed an eagerness to become the "largest" in town, city, country, or world.[7] This may prove incentive enough for demand creation. It arises from the ambition for power and the esteem of one's fellows. But back of the effort to create a demand for products is almost invariably found the need or desire of the seller to increase or fortify his profits. If his sales are large, certain results are likely to follow. His gross receipts will be greater, and the unit expense of producing, or selling, or both, may decline with the enlarged volume of business. For example, the reduced cost of selling and of production per unit which follows the increased demand stimulated by advertising, in many cases more than offsets the cost of the advertising.[8] Again, increased sales tend to bring a greater degree of control over the market. And this in turn may give to the producer more of monopoly power, or at least a stronger position in the industrial and commercial world, thereby reducing certain market risks, such as the risk of competition. Finally, the expansion of his market which results from successful demand creation fortifies the seller against local variations in the demand for his product, variations which might prove disastrous if his market were confined to a single locality.

Assembly.—The assembling activities of marketing are complementary to demand creation. Their purpose is to bring

[7] "Possibly the chief influence in the long run in promoting combinations of capital, as well as their most far-reaching effect, is the element of personal ambition which is fostered by monopoly."—J. W. Jenks, *The Trust Problem* (1900), p. 73.

[8] Some hypothetical cases will illustrate these points:

	Volume of Business (in units)	*Unit Cost of Production*	*Unit Cost of Selling*	*Total Unit Cost*	*Unit Price*	*Unit Profit*	*Total Profit*
Case 1—	100,000	$0.50	$0.25	$0.75	$0.80	$0.05	$ 5,000
* Case 2—	200,000	0.50	0.25	0.75	0.80	0.05	10,000
* Case 3—	200,000	0.50	0.27	0.77	0.80	0.03	6,000
* Case 4—	200,000	0.50	0.24	0.74	0.80	0.06	12,000
* Case 5—	200,000	0.45	0.30	0.75	0.80	0.05	10,000
* Case 6—	200,000	0.40	0.30	0.70	0.80	0.10	20,000
* Case 7—	300,000	0.40	0.20	0.60	0.80	0.20	60,000

* Increased sales efforts have been exerted in these cases.

commodities together where they are wanted for immediate use in production or in personal consumption. The goods which the ultimate consumer and the producer desire come from scattered areas of production. They are produced not only in the country or district in which he resides, but in distant areas and foreign lands as well. These products, to be available for use, must be assembled at convenient points in the volume and variety required.

What Is Assembly?—Assembly should not be confused with transportation and storage. For whereas these are functions of physical distribution, assembly involves judgment. What products will consumers need? In what quantities? How rapidly will they be consumed? Where can they be obtained? Were it not for our marketing machinery each individual, family, dealer, and factory would need to answer these questions unaided. Their needs could not be met as now through daily purchases, but only through planning far in advance, sometimes for years, and through keeping in touch with the producers of desired articles and with those who transport and store them. But today the average consumer, or even the average manufacturer, goes to a middleman and purchases what he wants. Most commodities are available on short notice because of the activities of a number of specialists who make it their business to judge in advance what the nature and volume of demand will be, who keep in constant touch with sources of demand and supply, and who order the goods far enough in advance of final demand to have them ready for use.[9]

[9] "The term 'assembling,' as here used, does not mean the actual physical transportation of commodities from one place to another, but rather the seeking out of sources, the making of business connections whereby commodities may be bought, and the study of market conditions so that they may be bought at the lowest price possible.

"Assembling therefore involves all the services connected with *buying*."—L. D. H. Weld, "Marketing Functions and Mercantile Organization," *The American Economic Review,* Vol. VII (June, 1917), p. 307.

The final process in assembly is, of course, that in which the consumer brings together the things which he desires to consume. But back of him there may have been a long line of assemblers—retailers, jobbers, commission men, manufacturers. Looked at from the point of view of the consumer the work of all these, as well as of the agencies preceding the manufacturer, is to assemble and prepare commodities for final consumption. The consumer looks chiefly to the retailer for these commodities, and the chief function of the retailer is to assemble them for him. But the retailer, in turn, looks to the jobber, the manufacturer, and the commission man, for the goods he handles. They assemble for him. The jobber in particular plays an important part in this process. The grocery jobber, for example, assembles the hundreds of varieties and brands of goods which come from all parts of the world, and makes them available to the retail store.

Assembly by Manufacturers.—Manufacturing plants do some of their own assembling. They are, consequently, assembling indirectly for those who later buy the finished product of their factories. The automobile is an assembled product in this sense, as well as in the manufacturing sense. Even the manufacturers of automobiles who make most of their own parts assemble some parts, and perhaps all of the accessories and equipment. Tires, speedometers, lighting systems, tops, wind shields, wheels, axles, springs—some or all of these are bought ready to install even by the largest manufacturers. Many cars are assembled almost entirely from parts made by other manufacturers. Furthermore, the production of most of these parts involves the assembly of equipment, supplies, raw materials, and semi-manufactured products at the factory. Assembling by manufacturers may also be more direct. For example, some producers of a particular part of a "line" of goods purchase or handle on consignment the related products of other manufacturers. In this manner they are enabled to handle a "full line" of goods, with the advantages in selling which a complete line sometimes carries with

it. Moreover, their overhead expenses may thus be spread over a greater volume of sales. Lumber manufacturers who own their own retail yards usually handle other building materials; tool manufacturers and manufacturers of machinery frequently handle related but non-competing products made by other firms.

Sometimes the manufacturer's own purchasing department searches out the sources of the materials needed. This is particularly true of large establishments and of those which have difficulty in finding the particular kind of raw material they need. But many manufacturers depend upon middlemen to do this work for them. Few, if any, buy all their materials, supplies, and equipment directly from the producers.

Concentration and Dispersion a Part of Assembly.—The process of concentration and dispersion, mentioned in the first chapter, is a part of the work of assembly. But assembly is the more complex process whereby the numerous kinds of products demanded are made available to the user in the required qualities and quantities and at the proper time and place; whereas concentration and dispersion have to do with the marketing of individual products. Apples, for example, which are produced by small growers in different parts of the country, may be concentrated at central markets, from which they are dispersed to ultimate consumers. This process is, nevertheless, a part of assembly, for such goods are being assembled, along with other products, for the convenience of consumers. It is evident that the same process may be concentration or dispersion from one point of view and assembly from another. Diagram II illustrates the concentration and dispersion of a few products, and shows their relation to the process of assembly.

Transportation and Storage.—The physical distribution of products consists in the highly specialized and technical activities involved in transportation and storage. It is a commonplace of industrial history that improved transportation makes possible large markets, large scale production, and specializa-

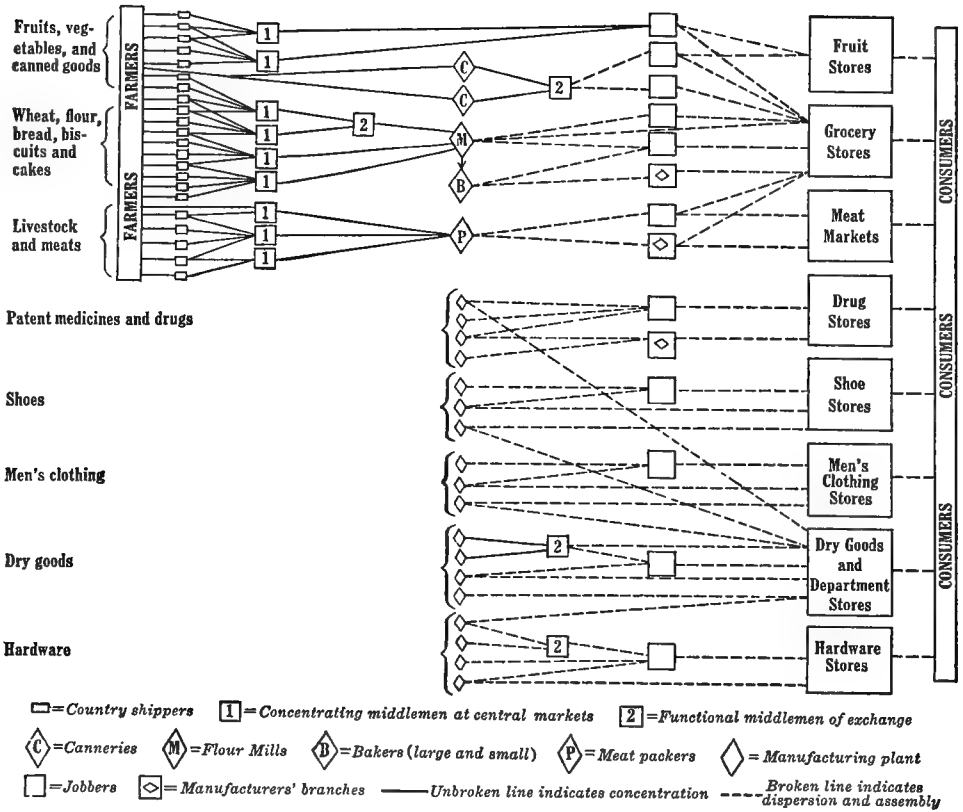


DIAGRAM II.—Concentration, Dispersion, and Assembly

tion in industry; that it has increased the variety of goods available for consumption, and has reduced the cost of their physical distribution. The chief function of physical distribution is to take goods from the place in which they are produced to the place in which they are to be consumed. This is called the "creation of place utilities," and is the function which transportation systems perform.

Storage, likewise, is essential to commerce. The majority of products are produced "for the market," and not to fill explicit orders. This is particularly true of agricultural products and of many raw materials. But it is also true of manufactured products; for the ultimate consumer—from whom the final demand for all goods comes—seldom orders goods far enough in advance of purchase for them to be made on order. Even with custom-made goods only the final fashioning of the product is ordered by the consumer. All preceding production—even though made on order—is for the market in the sense that the final demand of the ultimate consumer is an unknown quantity—a demand which often falls short of expectations so far as particular products are concerned, and sometimes for products in general. In addition to these considerations is the further fact that it is desirable to have a surplus of most products at hand. This is necessary to protect against slow deliveries and to be prepared for unforeseen increases in demand. Dealers in particular must stock goods to meet such contingencies. Again, many products, particularly agricultural products, are not only produced for the market, but become ready for use during short periods of the year. Such goods must be stored and kept in condition until the time of reduced production, if they are to be available for consumption at all times, and if the large supplies which mature during a short time are to be profitably sold.

The foregoing discussion shows the necessity for storing products at various points between the prime producer and the ultimate consumer, and indicates its importance to industry. Storage involves the technical processes of warehousing

and finance. The latter is a separate marketing function which will be discussed at a later point, but warehousing now warrants a word.

Warehousing.—The technical problems of warehousing are many. They involve the maintenance of suitable facilities for handling and conditioning products, as well as provision for adequate storage space. In addition to this the rules and regulations laid down by boards of trade, and by state and Federal acts providing for the supervision of storage facilities, must be carefully observed. A special type of warehouse has been provided for keeping such products as butter, eggs, and meat in proper condition. Storage is likewise an adjunct of transportation. Perishable products, for example, deteriorate rapidly while en route to market if they are not kept at the proper temperature. Even the ordinary milk wagon must have refrigeration facilities during the warm months.

Financing.—Modern marketing requires vast resources in machines, materials, land, and men, and vast quantities of goods must be held in storage for future use. To meet these demands of our economic system the control of funds is necessary, and it is the means by which these funds are supplied which is called financing. A familiar situation is found in the case of the man who is fitted for running a retail store but who is without funds. At the same time there are others who have funds but lack the time, the desire, or the ability to undertake the project. Means have been developed to bring these together. In many lines of business there are seasonal peaks during which much larger sums are needed than in other seasons of the year.[10] Firms so engaged must be possessed of large financial resources in order to meet these recurring periods. Or, being without sufficient capital, they must seek accommodation elsewhere. In yet other cases, business men

[10] See Morris A. Copeland, "Seasonal Problems in Financial Administration," *Journal of Political Economy,* Vol. XXVIII (Dec., 1920), pp. 793–826.

may accumulate, or could accumulate, sufficient resources to meet all such peak loads, but they may prefer to invest their accumulations in extensions of the business, or even to invest elsewhere. Otherwise such surplus funds can be utilized to advantage only a part of the year and may remain in the bank drawing no return, or a small return, for the remainder of the time. To meet such problems as these is the function of financing.

Risk-Taking.—The whole marketing process by means of which goods are taken from producer to consumer involves risk. This risk is assumed by those who take part in marketing, and particularly by those who take title to goods. There is risk of loss from fire, flood, storm, theft, deterioration; from bad debts or general financial difficulties outside the control of the individual. Styles may change or the market may be misjudged, leaving unsalable products in the hands of those who hold them. Increased supplies, reduced demand, or changes in the value of money may change the prices of commodities. Some of these risks can be wholly or partly insured against, or the burden can be shifted to the shoulders of those who specialize in bearing them. With many others, however, the business man must himself contend. They are the irreducible risks of marketing. The means by which these risks are insured against, shifted, and borne, is an important phase of marketing.

Standardization.—The standardization of merchandise has been called an auxiliary function because it is essential to effective exchange of title and is important to effective transportation and storage. It is in its relation to the methods of transferring title—to bringing about a sale—that standardization compels the greatest interest. This is because the manner of sale of a product depends in part on the extent to which it is known to be of uniform quality, size, and type, and the extent to which these characteristics conform to recognized standards. The importance of standardization to marketing can be better grasped, consequently, after an analysis of the

bases on which sales are made. And since this analysis is of itself important to an understanding of later discussions it will be inserted at this point, even though the detailed discussion of standardization is postponed to a later chapter.

Bases of Sale.—There are three fundamental bases of exchange: sale in bulk, sale by sample, and sale by description.[11] Where goods are sold in bulk, good, fair, and indifferent are taken as they come, as when a "farmer's car" of potatoes is purchased, coal is bought by the "mine run," or eggs by the "case count." But such sales are commonly made after a more or less careful inspection of the actual products to be bought has been made by the prospective purchaser—in which case they may be designated as "sales by inspection." Sale by inspection is found in many purchases at retail, as when the housewife goes to the grocery store to buy fruits and vegetables, or when clothing is purchased for individual wear. In these cases, the particular article to be purchased is seen and inspected by the purchaser.

Sale by sample implies that the bulk of the product can be adequately represented by a sample taken more or less at random. This implies also that the products run or can be made to run true to sample, and that the purchaser has faith in the ability and intention of the seller to deliver goods like the sample. The sample is seen before the goods are purchased or delivered; the buyer purchases from it, and expects the goods he buys to be like it. Samples may be presented by the seller for the purchaser to choose from, or the purchaser may present a sample to indicate what he desires. In either case, the final products may be inspected to determine whether they conform with sufficient exactness to the sample. Many manufactured products sold through salesmen to retail

[11] See also Homer B. Vanderblue, "The Marketing Function of Advertising," in *Advertising and Selling* (June 5, 1920), pp. 16–18, and A. W. Shaw, *An Approach to Business Problems* (1916), pp. 105–109.

stores are purchased from samples, and bulky articles, such as furniture, are frequently sold to consumers from samples on the retail floor. When goods are purchased because they have given satisfaction in the past, which is the method of buying most consumption goods, they are really bought by sample. A method called "sampling" is also used when a "sample" of the delivered product is taken from the bulk and analyzed before the sales price is determined. In such cases the basis on which payment is to be made has been determined in advance. But on delivery it must be determined in what degree the product fulfills the conditions previously agreed upon. Sugar beets are sold on the basis of their sugar content, and ores are sold on the basis of their metal content, as determined after such a sample has been made.

Sale by description is made by word of mouth or by means of symbols, printed and written words, blue prints, and specifications. The description is really a specification on the part of the buyer as to what he will purchase, or on the part of the seller as to what he has for sale. This method implies that the party endeavoring to describe a product can describe it in a manner which will enable the other party to the exchange to understand his description. It implies in addition, as with sale by sample, confidence in the ability and intention of the seller to deliver goods like the description. Of sellers' descriptions the mail order catalogue and advertising are good examples; plans for a house, factory, or machine, are examples of buyers' descriptions.

All these methods may be combined in the sale of a single product. When household utensils—washing machines, electric sweepers, fireless cookers—are sold, they are sometimes sent to the home for trial. If a sale is made the article sent is kept. This is sale in bulk, but it has probably been preceded by advertising which led the housewife to go to this store and see a sample demonstrated—sale by description and by sample.

OUTLINE II. METHODS OF SALE

- Bulk
  - Bulk ("as is")
  - Inspection
- Sample
  - Seller's sample
  - Buyer's sample
  - Products in use
- Description
  - Seller's description
    - personal salesmanship
    - advertising
    - symbol or trade name
  - Buyer's specifications
  - Grade names—representing standards determined by governmental authority, custom, or associated action.

The Nature of Standardization.—Sale by sample and most sales by description rest upon the standardization of products.[12] These methods of sale are possible only when the buyer is certain that the conditions of production are such that goods can be delivered like the sample or like the description. This condition prevails throughout most modern manufacture, and consequently large-scale standardized production has made possible not only sale by sample, but the enormous expansion of sale by description through the use of salesmen and advertising. Advertising in most of its forms is too expensive to use, unless the single advertisement can be made to describe a product which can be duplicated enough times to meet all or a large part of the demand which is created, and sold in sufficient volume to warrant the advertising expense. A further economy in the sale of standardized products results from the fact that a buyer may purchase in large quantities after simply seeing a sample, or hearing or seeing a description. For if confidence inheres in the intention

[12] Many "want ads," such as those advertising houses and household furniture for sale, are exceptions. A single article is there described, whereas most efforts to sell by description endeavor to sell many similar articles. The actual sale, however, in the case of the "want ad" may be completed only after inspection.

and ability of the seller to deliver goods like the sample or description, each individual part of a purchase need not be inspected. The sale of raw materials, and of goods bought by retail stores, is greatly facilitated when these methods of sale are used. Purchase by brand at retail on the part of the final consumer has the same advantages, and results from the same considerations.[13]

Grading.—An important adjunct to standardization is grading. Grading involves the division of products into classes made up of units possessing similar characteristics of size and quality. In so far as products are standardized in their production, grading is unnecessary, or at most it involves simply the determination of the grade of products which are already of uniform size and quality. Some goods are produced under conditions which make them all of the same size and quality; consequently they all conform to a given standard, and no assorting is required. This is usual with manufactured products. But when goods as produced are not of uniform quality and size they must be sorted into groups which are. Raw materials in particular are not uniform as they come from the field, forest, and mine, whereas the manufacturing plants utilizing them usually demand uniform materials conforming to certain standards.[14] This demand for standardized materials on the part of manufacturers is one of the chief causes for grading raw materials. But even consumers commonly prefer standardized products. When these products are branded with the mark of the producer or distributor, or when they are sold by grade, the consumer is enabled to purchase by description and is thereby saved from uncertainty and the need for inspecting each purchase. He knows that each product he buys will be like the last.

Summary.—Marketing consists of buying and selling and of physical distribution. Under modern conditions an extensive machinery for purchase and sale is found, a machinery

[13] See p. 403.

[14] The reasons for this will be discussed in Chap. VI.

which involves the function of demand creation (selling) and the function of assembly (buying). Physical distribution consists of the technical functions of transportation and storage. And somewhere products must be sorted into classes determined by their nature, size, and quality. This function is called standardization. The control of funds is also essential. This has led to the development of the function called financing. Finally, throughout the whole marketing process the risk of ultimate financial loss from many possible sources must be borne.

CHAPTER III

MARKETING FARM PRODUCTS[1]

The farm is an important source of raw material for manufacture. But many farm products are ready for personal consumption without processing in any way, or at least with but slight change from their original state. The existence of these two classes of farm products—production goods and consumption goods—makes it necessary to keep clearly in mind that the marketing of some agricultural products involves a process for placing them in the hands of manufacturers, and that from this point their distribution is a problem of the manufacturer's market. Products of this nature must be distinguished from others, the distribution of which involves transferring them to consumers in their original form.[2]

I

Characteristics of Agriculture.—Agriculture, in contrast with a prevailing tendency in manufacture, is a small scale in-

[1] There is a sizable literature dealing with the marketing of farm products. Among the more accessible are the publications of the U. S. Department of Agriculture and of the State Agricultural Experiment Stations. Recently the Federal Trade Commission has issued several reports relating to farm products. Among the more valuable books may be mentioned L. D. H. Weld, *The Marketing of Farm Products;* G. G. Huebner, *Agricultural Commerce;* E. G. Nourse, *The Chicago Produce Market;* Theodore Macklin, *Efficient Marketing for Agriculture;* and B. H. Hibbard, *Marketing Agricultural Products.*

[2] In the discussion to follow, raw materials for manufacture, whether the product of the farm, forest, or mine, are frequently considered together, regardless of source. But if the classification on page 7 is kept in mind no confusion should arise in the mind of the reader.

dustry; and unlike manufacture, it is carried on by scattered producers located far from the great body of consumers. Thus the main output of shoes in this country is confined to a relatively small number of factories located in the midst of dense populations, but the hides for the leather used in their manufacture are obtained from cattle raised upon thousands of farms and ranches in the United States and in foreign countries. Even in the manufacture of flour, an industry in which large scale methods are not so predominant, there are dozens, perhaps hundreds, of farms growing wheat to each mill grinding it into flour.

On the other hand, specialized production—which is also a characteristic of manufacture—has become characteristic of agriculture. In fact, the development of specialized production has gone so far that the self-sufficing farm of a former day is no longer found.[3] Each farm produces for the market and must exchange its surplus for the surplus of other farms, and for the output of factories. The products from one agricultural section or from one farm must, consequently, be distributed to the people on other farms and in other agricultural sections as well as to factories and to consumers in populous centers. The grain of the Dakotas supplies the mills of Minneapolis, Buffalo, and Rochester. The stock of the Mountain states moves east to the packing plants of Omaha and Chicago and west to supply the Pacific coast, Alaska, and Hawaii. The fruit of Southern California moves north to Washington and finds its way into the Dakotas, the corn belt, and eastern markets. The cotton of the South moves north and the corn of Illinois and Iowa moves south.

Variation of Marketing Methods.—The marketing problem is not the same for all products. Perishable fruits and vegetables must be consumed or processed almost as soon as harvested. And since they are highly perishable, facilities

[3] See Ellen Churchill Semple, *American History and its Geographic Conditions* (1903), pp. 369 ff.

must be provided to carry them from the farm to table or factory quickly and without deterioration. But most farm products are not so perishable. Furthermore, they are more largely raw materials to be sold to mills and factories than products ready for personal consumption. Wheat and other cereals, live stock, cotton, wool, and tobacco are altered before they are finally consumed. With these, other problems are important, such as, for example, warehousing over long periods of time, and the provision of capital with which to carry the stored commodities. Even a single kind of product is usually marketed in a number of ways through the addition or elimination of steps. Fruit and vegetables may be sold directly by the grower to the housewife or canning factory, but California oranges are sometimes most effectively marketed through five middlemen, each representing a separate link in the market chain. Again, a large volume of agricultural staples is sold directly to factories and mills; but grain is usually sold to the local buyer, thence to the central market dealer, and by him it may be sold to a mill in a city outside the central market or to a dealer in another city, and so on. The same dealer frequently sells to different classes of customers and in different markets, as determined by the offers he receives and by the prevailing prices. Cattle are often sold to country buyers, who consign them to commission men, who sell them both to buyers representing the great meat packers and to other commission men who are buying for farmers engaged in fattening stock for market. But many cattle are sent directly from growers to commission men, others are sold to local slaughter houses, and some are sold directly to the packers. Cotton may be sold directly from the plantation gin to the local mill, or it may go through from one to five or six dealers and finally reach a New England or European mill.[4]

[4] "Cotton is shipped to Great Britain by three classes of dealers: (1) by American shippers, who consign to Liverpool merchants; (2) by

Difficulties in Transportation and Storage.—Farm products are, in general, bulky. That is, the weight is great as compared to the value.[5] This fact makes their transportation and storage difficult and expensive. Bulk is, of course, a relative term; and some of the perishable products, fruits and vegetables in particular, can stand an expensive transportation service because of their high value. Other farm products are less perishable but very bulky, and the cost of transportation plays a larger part in determining their marketability.

Irregularities of Production and Sale.—Most farm crops mature during a relatively short period of the year. Because of this there usually occurs a "peak load" in their sale, storage, transportation, and financing. When not too perishable, they may be held for months in their natural state and so be consumed with more or less uniformity throughout the year. But the farmer often desires to sell at once, sometimes even before the harvest. On the other hand, but few final consumers and but few manufacturing consumers wish, or are able, to store and finance products for their own future use.

buyers sent out from Liverpool and Manchester houses; or (3) by American firms which have a branch office in England.

". . . In Liverpool, with some exceptions, the importer entrusts the disposal of his cotton to a selling broker, and the spinner employs a buying broker. . . . The buying broker and the selling broker each receive a commission of one-half of one per cent on the value of the cotton. In Manchester the importers deal directly with the spinners, not as brokers but as merchants."—Melvin Thomas Copeland, *The Cotton Manufacturing Industry of the United States,* p. 354.

[5] Most agricultural products could not be the subject of extended commerce at all but for the improvements of the past two centuries in transportation. Before the eighteenth century the only articles carried in international commerce were luxuries of great value, but with improvements in ocean transportation products grown near waterways could be carried. It was not until the development of the steam railway that products grown in areas much removed from waterways could be carried far. ". . . In 1817 people were dying of famine in Lorraine, while wheat was abundant in Brittany." But the cost of transportation was too great to bring the supply to Lorraine. See Clive Day, *A History of Commerce* (2d ed., 1917), pp. 318 ff.

There is, consequently, need for storage and financing facilities between the farmer and the consumer. The fact that shipments to central markets are largest following the harvest complicates their transportation; and the financing of this heavy crop movement during the periods of greatest activity is an annually recurring problem of national scope. Table I illustrates the seasonal nature of strawberry production, and Table II shows the large percentage of all grains, and of wheat and corn, which country elevators handled during and immediately following the harvests of 1913 and 1916.

Closely connected with this seasonalness of agricultural marketing is the variation in the amount and quality of the crop from year to year. This tends to disorganize market prices through changing the conditions of supply. The variation in quantity adds to the difficulties of both storage and transportation, for in some years these facilities are taxed beyond their capacity, and at other times they may prove far greater than the need. The variation in quality complicates the problem of grading, and makes purchase and sale more difficult. This is particularly true of raw materials, since manufacturers commonly demand standardized materials with particular characteristics.[6]

Again, there are optional uses to which the farm product may be put. In some growing areas grain may be fed to live stock on the farm, sold to local feeders, or to mills; fruits and vegetables—particularly when not the output of a highly specialized section—may be, in varying degrees, consumed by the farmer, sold as fresh produce to the consumer, or bought by the canning factory. This is likewise a disorganizing factor in the market. Thus if the price of corn is low it may be used for feeding stock, whereas when the price is high it may be sold to dealers. This will affect the market price of corn, and ultimately it will decrease or increase the local supply of live stock and change the demand for substitute products.

[6] See pp. 23–27, 93–96 and 396–398.

TABLE I

Strawberry Shipping Seasons *

District	Shipping Season	Carloads Shipped
Central Florida	Dec. 1–Mar. 31	152.5
Northern Florida	Feb. 10–May 15	378.0
Southern Texas	Mar. 1–May 15	126.6
Southern California	Mar. 1–Dec. 1	373.5
Louisiana	Mar. 15–May 20	1243.0
Southern Mississippi	Apr. 1–May 20	68.0
Northern Texas	Apr. 1–May 20	99.5
Central California	Apr. 1–Aug. 15	1905.0
Central and Southern Alabama	Apr. 15–May 31	294.0
Central Mississippi	Apr. 15–May 31	95.5
North and South Carolina	Apr. 15–May 31	967.3
Northern Alabama	Apr. 15–June 7	100.3
Central and Southern Arkansas	Apr. 25–June 7	505.7
Tennessee	May 1–June 7	1571.5
Virginia	May 1–June 7	779.0
Ozark region	May 1–June 20	748.0
Kentucky	May 10–June 17	84.0
Delaware	May 15–June 20	1374.0
Southern Illinois	May 15–June 20	268.2
Maryland	May 15–June 20	1569.3
Kansas	May 18–June 20	104.8
Central Colorado	May 18–July 15	41.0
Oregon and Northern California	May 18–July 15	277.8
Washington	May 18–July 15	327.0
Southern Indiana	May 24–June 25	103.5
New Jersey	May 24–June 25	248.7
Iowa	June 1–20	21.0
Ohio	June 1–25	15.9
Hudson Valley, N. Y.	June 1–30	122.0
Western New York	June 1–30	54.5
Michigan	June 1–July 15	321.7
Connecticut	June 15–July 15	105.0
Minnesota and Wisconsin	June 15–July 15	66.5
Oswego District, N. Y.	June 15–July 15	13.0
Northern Colorado	July 20–Aug. 31	19.0

* U. S. Department of Agriculture, Bul. No. 237, *Strawberry Supply and Distribution in 1914*, p. 5.

TABLE II

Total purchases of all grains, and of wheat and corn made in each month of the crop years 1913–14 and 1916–17 by all reporting elevators in the 14 principal grain-producing States *

Year and month	Elevators reporting	All grains		Wheat		Corn	
		Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
1913–14		*Bushels*		*Bushels*		*Bushels*	
July, 1913.....	2,676	24,568,872	8.32	15,344,273	13.31	3,629,191	4.50
August, 1913...	2,974	35,268,911	11.95	13,861,517	12.03	5,508,553	6.83
September, 1913	3,078	38,593,881	13.07	16,722,794	14.51	6,528,426	8.09
October, 1913..	3,065	33,257,567	11.26	16,418,895	14.25	4,491,027	5.57
November, 1913	3,053	27,327,475	9.26	12,666,111	10.99	7,021,239	8.70
December, 1913	3,040	31,613,237	10.71	9,355,226	8.12	13,980,638	17.32
January, 1914..	3,016	23,688,634	8.02	8,031,755	6.97	9,254,542	11.47
February, 1914.	2,978	21,820,223	7.39	6,357,750	5.52	8,836,632	10.95
March, 1914...	2,951	18,091,546	6.13	5,177,869	4.49	6,486,028	8.04
April, 1914	2,787	9,268,253	3.14	3,196,417	2.77	2,947,671	3.65
May, 1914	2,767	16,094,473	5.45	4,153,566	3.60	6,566,131	8.14
June, 1914.....	2,705	15,657,178	5.30	3,967,004	3.44	5,450,760	6.75
Total	35,090	295,250,250	100.00	115,253,177	100.00	80,700,838	100.00
1916–17							
July, 1916	3,891	35,259,044	8.59	17,821,678	13.56	6,719,870	5.73
August, 1916...	4,303	64,079,288	15.62	21,851,662	16.63	7,974,013	6.80
September, 1916	4,489	50,606,007	12.33	19,041,592	14.49	7,641,393	6.52
October, 1916..	4,525	45,770,728	11.16	19,028,516	14.48	4,996,375	4.26
November, 1916	4,428	44,893,388	10.94	13,657,877	10.39	15,505,252	13.23
December, 1916	4,338	31,008,502	7.56	7,079,553	5.39	15,070,382	12.85
January, 1917..	4,390	40,482,911	9.87	9,600,320	7.31	19,253,664	16.42
February, 1917.	4,201	23,594,163	5.75	4,355,027	3.31	11,098,262	9.47
March, 1917....	4,246	22,981,626	5.60	5,992,376	4.56	8,585,186	7.32
April, 1917.....	4,038	16,228,652	3.96	4,910,286	3.74	5,506,643	4.70
May, 1917.....	3,906	19,026,551	4.64	5,065,192	3.85	7,623,051	6.50
June, 1917.....	3,613	16,343,896	3.98	3,016,750	2.30	7,264,456	6.20
Total	50,368	410,274,756	100.00	131,420,829	100.00	117,238,547	100.00

* *Report of the Federal Trade Commission on the Grain Trade (1920)* Vol. I, p. 339.

The Farmer and Marketing.—Other important considerations affecting the marketing of farm products arise out of the characteristics of farming as a business and of farmers as a class. The grower labors under several distinct disadvantages in his attempts to market. He has frequently neither the time, the ability, nor the knowledge to market successfully. He is likely to be particularly busy caring for one crop—plowing, planting, harvesting—just when it may be the most opportune time to market another. And in the winter seasons, when the grower has time to market, country roads are often impassable. Many farmers have slight knowledge of marketing methods and of market conditions, and possess little or no knowledge of the price of their product in other than their own local market. They have even less knowledge of the broad market influences which determine prices. There is often the greatest ignorance of the type of product which consumers are most willing to purchase. Furthermore, the operations of the average farm are on too small a scale to warrant giving much time to marketing, or carrying marketing activities very far toward the final market for which the products are grown.

To meet conditions such as these, coöperation has developed. But here again there is difficulty—the American farmer is highly individualistic and often does not care to coöperate with his neighbors in any marked degree. Furthermore, our farm population is constantly shifting and changing: farm owners go to town or city, and tenants continually change from farm to farm or community to community. And even in the same community there are often different races who feel that they have little in common. Such conditions frequently prove effective barriers to coöperation for the solution of the problems of the agricultural community. More recently, however, the great success of some farmers' coöperative selling organizations has given stimulus to the movement and in large sections of the country the obstacles to coöperation appear to be rapidly disappearing.[7]

[7] See Chap. XIII.

Difficulties with Finance and Labor.—Insufficient funds and lack of credit may hinder the farmer in his marketing just as they often hamper his productive activities. The price of farm products is sometimes lower just at the harvest than long time market conditions warrant. The farmer who can hold his crop may do better later in the year.[8] But many farmers find it impossible to do this. They need the cash with which to pay bills incurred in making essential purchases, or their storage facilities are inadequate. These difficulties have been peculiarly prevalent in some parts of the cotton belt where the small farmers and tenants are notoriously poor. Dependent upon local merchants for credit, they have mortgaged their crops to buy the necessities of life and the essentials of production. The merchants in turn have forced the early sale of the products to themselves and have reaped what benefits there were to be derived from holding the crop. Again the farmer may be able to sell his fruit or vegetables at a better price if they are properly sorted, graded, and packed at the farm, and here likewise the lack of funds may occasionally prove to be the stumbling block which forces him to pass this work on to the middleman.

The lack of labor may also affect the market problem. In the spring of the year, just when the plowing must be done, the price of grain frequently rises; or again the farmer may be unable to harvest, sort or grade his products because of labor shortage. This difficulty is due in part to the lack of funds, and in part to the characteristics of the farm laborer's job; namely, the seasonalness of demand, the social status, long hours, poor living conditions. Whatever the cause, the lack of a sufficient supply of suitable labor is often the source of very real difficulty.

[8] This appears to be the situation with many crops. For those in which future trading is carried on extensively, as wheat, corn, oats, and cotton, it is apparently less true. See J. E. Pope, "Can the Farmer Realize Higher Prices for His Crops by Holding Them?" *Quarterly Journal of Economics,* Vol. XXX, No. 4 (Aug., 1916), pp. 805–831.

Demand Creation and the Agricultural Market.—The discussion in Chapter I indicated that there are two large aspects of marketing: the buying and selling of products, and their physical distribution. In the exchange of manufactured products much effort is devoted to selling. This is particularly true with products used by the ultimate consumer, in the sale of which demand creation is a predominant problem. But in the sale of agricultural products there has been less attempt to influence demand. The resources of the average farmer are too limited and his total production too small to warrant it. Only in the case of commodities like citrus fruits, raisins, apples, cranberries, and milk, which are sold to ultimate consumers, has much effort been made to influence demand, and then only through associated efforts. The great majority of agricultural products are raw materials for manufacture—products bought largely on a basis of specification or grade—in the sale of which demand creation plays no part. These products are in the nature of necessities, a somewhat limited but variable supply of which is called upon to meet a comparatively inelastic demand. It follows that any sales effort which is made is usually an effort of the middlemen who handle the merchandise to sell their service to producers and users, rather than an effort to create a demand for the product itself.[9]

A distinction is sometimes made between agricultural products as goods that are "bought" and manufactured goods as those which must be "sold." But this is not an accurate distinction. If we can generalize at all on this point, it is to distinguish between such goods as raw materials which are bought mainly after careful inspection by the buyer, and on his specification, or on a basis of recognized standard grades,

[9] It should not be inferred that the farmer need not attempt to find the best market for his product. That is an activity in which many farmers could well engage. Seeking the market in which the best price is offered or prevails is a different problem from seeking to create or to influence such a market through efforts at demand creation.

and products in the exchange of which no generally recognized standards of choice exist, and in the purchase of which influence may be effectively brought to bear by the seller. In considering consumption goods it was shown that a distinction is sometimes made between specialties and staples. A distinction between manufactures and farm products is sometimes made on this basis; and the extent to which manufactured products are specialties and farm products staples makes this distinction fairly accurate. But it is not fundamental. For in the case of agricultural commodities which are in the nature of semi-luxuries, which have never been largely consumed, or which come from new production areas, we find that endeavors have been made to create demand. The advertising of California and Florida citrus fruits and raisins, apples from the Northwest, and cherries from Washington, affords examples in point; so do advertised sales of blooded stock and poultry.

The Concentration of Farm Products.—The manufacturing plant which utilizes agricultural products as raw material can usually work effectively only when using the combined product of many farms. And the densely populated areas of the world must, likewise, draw food stuffs from wide areas. To make this possible products must be concentrated in these areas, as well as at manufacturing plants, such as the local grist mill and great milling plant, the sugar mill, the cotton factory, the local butcher shop and the great meat packing establishment. If factories were generally small, drawing their raw materials from nearby and producing for a limited local market, and if population were evenly distributed and willing to consume local products, this would not be difficult. The farmers could haul the raw material to the factory and the finished product could be easily distributed to nearby consumers. Food stuffs, likewise, would be locally grown and consumed. But these are not the facts which condition modern marketing. People congregate in large cities, industries localize, and manufacture is carried on upon a large scale. For physical and economic reasons some farm products can

be grown only in certain districts, which often cover wide areas, far from the centers of manufacture and consumption. Because of the extent of agricultural areas and their remoteness from the consumption points, it is impossible for most farmers to exchange directly with the consumer or even with retail merchants, mills and factories.[10] Thus New England's flour is milled from wheat grown largely west of the Great Lakes, its citrus fruits are grown in California and Florida, the source of the cotton for its mills is in the southern states, the islands of the sea, and Egypt, and many of its meat animals graze upon western farms and ranches.[11]

The Localization of Manufacture.—The manufacture of but few products is evenly distributed among the producing areas from which the raw materials are drawn. Manufacture tends rather to localization in certain districts; and as a general rule an efficient plant can not only produce far more than the local market consumes, but is also likely to utilize more of some raw materials than nearby areas can supply. Extreme illustrations are found in the localization of meat packing about Chicago, the Twin Cities, Kansas City, and Omaha; and

[10] See Map I, p. 47.

[11] "The territory made tributary to the demand of the perishable produce market of the New York zone reaches from ocean to ocean. It even extends overseas to Belgium and Germany for Brussels sprouts, chard, endive, cabbages; to Mediterranean ports for specialties; to Hawaii for pineapples; to Great Britain for potatoes; and it extends south to Central America and the West Indies for bananas, citrus fruits, and a few tropical specialties. A considerable supply of eggs comes from China. Within the continental bounds of North America, New York reaches out to the State of Sonora in northwest Mexico for tomatoes; to southeast Texas and southern Florida for its early lettuce; to Florida and Louisiana for strawberries, new potatoes, and onions; to Georgia and Michigan for peaches, and Colorado and California for melons; to Oregon and Washington for apples; it reaches to the northern confines of Maine for its Aroostook potatoes, to Minnesota for the Red River potatoes, and to the Provinces of Canada for apples, cabbages and onions, butter and eggs."—*Report of the Federal Trade Commission on the Wholesale Marketing of Food* (June 30, 1919), p. 201.

TABLE III

Number of States interested in the markets of 16 cities for specified commodities *

[The figures given for the different markets were furnished by the Department of Agriculture.]

Cities	White potatoes	Sweet potatoes	Cabbages	Tomatoes	Canta-loupes	Apples	Peaches	Straw-berries
	States	*States*	*States*	*States*	*States*	*States*	*States*	*States*
Baltimore	15	3	11	8	9	11	10	5
Birmingham	19	6	16	1	5	21	4	1
Chicago	41	21	23	21	19	32	28	17
Cincinnati	31	13	17	11	17	22	19	7
Columbus	23	10	10	6	6	16	10	7
Denver	15	8	3	8	4	7	8	2
Kansas City	29	10	14	4	9	14	12	7
Minneapolis	29	12	12	11	12	20	13	12
New York	23	8	16	13	15	24	15	12
Omaha	27	14	13	8	8	12	10	4
Philadelphia	23	4	15	6	8	14	10	9
Pittsburgh	32	15	27	20	25	23	21	17
Spokane	4	..	..	..	2	2	..	..
St. Louis	34	8	19	13	10	22	15	2
St. Paul	22	7	9	9	9	19	10	8
Washington	14	4	8	7	11	10	9	3
Average	23.81	8.93	13.31	9.12	10.56	16.81	12.12	7.06

* From the *Report of the Federal Trade Commission on the Wholesale Marketing of Food* (1920), p. 48.

in the concentration of the flour milling industry at the middle western termini of railroads and waterways leading east from the great wheat producing areas. The cotton industry, which is localized to a high degree in New England, affords another example.[12] There are, of course, important exceptions.[13] Sugar beets are grown near the factory, although a short rail haul is frequently involved. Canneries draw their fruits and vege-

[12] See U. S. Census Reports, *Twelfth Census* (1900), Vol. VII, pp. ccxiii ff., for one of the best discussions of the causes for the localization of industry, as well as for further examples of localized industry.

[13] See pp. 91–93.

tables from the surrounding growers. There is also a large volume of local slaughtering of meat animals, and butter and cheese are commonly made in local creameries and cheese factories. Even in such cases, however, products must be collected from a large number of individual growers in order to secure a sufficient supply.

Dispersion.—It appears, then, that products of the farm used as the raw materials of manufacture, as well as those consumed in their original state, must often be brought together from wide areas. Then, the consumption goods and the manufactured articles into which the raw materials have been converted must be dispersed to consuming areas. These consuming areas are sometimes fully as distant from the manufacturing plant or central market as the producing areas, and often more widely separated.

II

Bearing in mind the foregoing characteristics of farm products—the need for concentration preceding final distribution, the peculiar characteristics of farm products, the rather low efficiency of the average farmer as a trader, and the frequent absence of demand creation as a determining factor in exchange—the actual methods of marketing farm products will next be considered.

There is no one method of marketing farm products. Even a single producer or buyer may utilize several methods of selling or purchasing.[14] There are, nevertheless, certain gen-

[14] "Of the 138 vegetable growers in the United States who answered the author's query as to whether they sold to local purchasers, cash-buying jobbers, retailers, or consumers, 39 answered that they sold to wholesalers on consignment, 30 to cash-buying jobbers, 31 to local purchasers, 51 to retailers, and 22 to consumers. That is, one-half of these growers sold either to retailers or consumers. Nor are these growers limiting themselves to any one of these five outlets for their goods. Thus, of the 138 who responded, 17 sold to all five, that is, to wholesalers on consignment, cash-buying jobbers, local purchasers, the retailer

eral types of distribution, into one or a combination of which most methods can be placed.

Methods Open to the Farmer: (A) Direct Sale to Consumer or Manufacturer.—The methods by which individual farmers market their products are numerous. The simplest is by direct sale to consumer or manufacturer. There are three familiar types of direct sale: (1) sale at the residence or plant of the purchaser, or at the farm of the seller, (2) on the public market, and (3) through the medium of the parcel post or express companies when these act as agents of assembly and transportation.

The huckster.—The familiar huckster selling his products from door to door is an important example of direct sale to the consumer. But not all hucksters are producers. Many purchase all or a part of their produce from auction companies, commission men, and other dealers, as well as directly from farmers. Huckster sales are usually for cash and delivery is made at once. When carried on by the grower himself, huckstering takes much time from the work of production, as sales are made in small quantities and relatively slowly. Consequently, this method is not likely to be used by growers pressed for time, unless they are selling a clientele willing to pay enough, because of the special nature of the product, to offset the time lost to production.

A closely related type of direct sale is found in the case of the farmer or his wife who has a few customers in the neighboring town to whom produce is delivered at intervals. Poultry, eggs, and butter are frequently sold in this way.

and the consumer. Seven more sold to wholesalers, cash-buying jobbers, local purchasers and retailers. Others sold to three or more of these.

"Nor are the growers alone the only class of business men who are organizing their purchasing and selling methods. The wholesaler is turning jobber. He is sending his automobile direct to the farm and is selling direct to the retailer. The jobber is buying direct from the farm and is selling direct to the retailer."—Clyde L. King, *American Economic Review, Supplement,* Vol. V, No. 1 (Mar., 1915), p. 155.

Direct sales to manufacturers.—Sales of raw materials by growers to manufacturers are made in a number of ways with different crops, and even for the same crop. They are often made in advance of the harvest, sometimes long before, and the selling price is frequently stipulated in advance. This assures the farmer a definite price when the harvest is over. But though he is insured against a very low return, it is the general impression that over a period of years the returns average lower than the average of the market for the same period. This is not necessarily a criticism of the manufacturer. It is evident that one who sells a finished product on a competitive market must protect himself from guaranteeing what may prove to be much more than the market price for his materials. Otherwise, if the cost of his raw materials proves to be far above the prevailing market he will find that competitors who buy at the market price can far underbid him in the sale of his product.

A common method of direct sale to manufacturers is found in the case of farmers who haul their product to local mills or factories and there dispose of them at the prevailing market price. This is common in the sale of wheat, corn, and other cereals, and of fruit and vegetables sold to canning factories. Sales to distant manufacturers are often made through representatives of the manufacturers who come directly to the farm, or station themselves in the town to which the grower hauls his product. Thus some cotton is sold by large planters to mill buyers who go about from place to place seeking the special kind of cotton their mill uses, and some flour mills have established their own elevators in regions where the quality of grain they use is grown. Wool and tobacco, likewise, are sometimes sold in this way. In other cases, large growers themselves approach the manufacturer and attend to the sale as well as to the shipment of their product.

Public markets; parcel post and express sales.—Public market places are provided sometimes by private initiative

and sometimes at public expense. They afford an opportunity for direct selling of some importance. But by no means all who sell on the public market are growers; in fact retail dealers often predominate. Public markets, although relatively unimportant, have awakened much interest during the recent period of high prices, and appear to be growing in importance.

Sales delivered through the parcel post and the express company are difficult to classify, for other agencies are concerned to so large an extent that it is hard to decide whether they should be classed as direct or indirect. Even in making the sale other agencies intervene. Thus in some states a state market agency endeavors to bring producer and consumer together through the use of printed bulletins; the express companies and the post office department also assist in making the actual sale through bringing consumer demands and producer supplies together.

Direct sale of fruits, vegetables, and dairy products.—The direct sale of fruits, vegetables, and dairy products to ultimate consumers seems to be less prevalent than the direct sale of raw materials to mills and factories. The reasons are not far to seek. A grower can haul a load of wheat to the local mill, sell and unload it, and return in a relatively short time; but if he tries to sell a load of apples to final consumers, he must peddle in small lots from house to house, and so put in a considerable part of his day in marketing. Most farmers are unwilling or unable to spend so much time in this way; they prefer to sell quickly in large lots to middlemen, such as the jobber, local shipper, or retailer; and then to return to the work of the farm.

Again, fruits, vegetables, and dairy products are often grown far from the ultimate market. The great consuming areas of California fruits, Colorado cantaloupes, and Latin American bananas, are in populous districts far removed from the producing areas. The fresh vegetables consumed in our larger cities are grown in a wide area surrounding the city and in growing

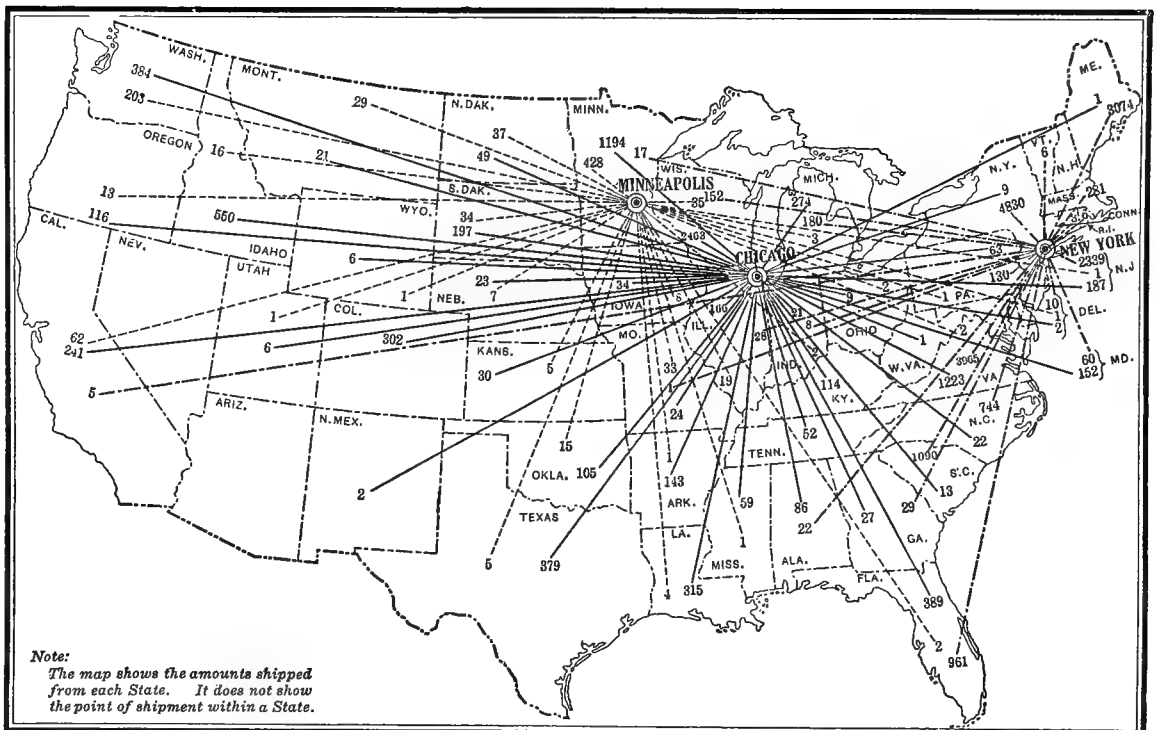
regions not geographically tributary. It is physically impossible for the average grower to haul his products to such markets and practically impossible for him to establish satisfactory business connections for their sale there. So not only must his goods be shipped by some general transportation agency, but he is likely to find it easier to turn the whole operation, including the sale, over to a marketing specialist.[15] Furthermore, a product which is consumed out of season, either directly or by mills and factories, can often best be stored by independent agencies who have the proper facilities, together with the requisite financial resources, and who are in close and constant touch with the market.

Methods Open to the Farmer: (B) Local Middlemen.—Although farm products in large volume are handled through direct sales by the grower to manufacturers and final consumers, the greatest volume of business is carried on through one or more independent intermediaries. There are five important classes of these intermediaries who buy in the local market: (1) the retail store; (2) the buyer who travels about from farm to farm either on his own account or as the representative of a mill, factory, or central market middleman; (3) the local buyer with a definite place of business to which growers bring their products for sale; (4) the producers' cooperative selling association; and (5) the middleman located in an outside market.[16]

The second and third methods are sometimes engaged in by

[15] The development of better roads and the use of the motor truck will bring a much wider area into contact with a given consumer market, but this will modify this statement only as it relates to products grown in the general vicinity. Even here the motor transportation may be taken over, as it is now in many instances, by functionalized agencies.

[16] Another local market middleman should be mentioned, who while handling but little of the total volume of the country's agricultural products further illustrates the possibilities of specialization. He is the general consignee, or forwarder, who "stands between the individual shipper in the country and the commission man in the large cities



MAP. I.—The Concentration of White Potatoes, 1917. Car-lot Shipments Unloaded at New York, Chicago, and Minneapolis.[1]

[1] This map is copied by permission from the *Report of the Federal Trade Commission on the Wholesale Marketing of Food,* facing p. 46. It was drawn from data furnished by the Bureau of Markets.

the same individual. The methods, however, are unlike, as they involve a somewhat different distribution of functions. Furthermore, the middleman with a definite place of business to which the growers bring their products is usually an evidence of an advanced stage in marketing.

(1) Sales to retail stores.—Great quantities of fruit, vegetables, butter, and eggs are sold directly from the farm to retailers. Some growers have a regular clientele of retail dealers to whom they sell. It is more convenient for the farmer to sell to retail stores than it is to huckster his product, for although he may receive less money for it, less time is consumed and less trouble is involved. Local hotels, restaurants, and delicatessens offer a similar attraction to the grower. To the retailer the main advantage of this scheme is that it assures him a supply of fresh fruits and vegetables in season. But there are important difficulties attending it. He may have to buy from several growers to have a sufficient quantity and variety of products for his trade. This increases the time and effort he must devote to buying. He must usually pay cash to the grower, whereas he can get credit from the jobber. Again, the source of supply is far from dependable; on any day one or more of his growers may fail to deliver, the quality and quantity of local crops vary widely from year to year, and in order to keep a steady supply throughout the season the retailer must deal with a large number of growers located in widely separated parts of the country. Many retailers meet this last difficulty through buying from local growers during their local season and purchasing out of season supplies through wholesale dealers.

(especially Chicago). His principal reason for existence is that he consolidates the small shipments of individual growers into car lots thus obtaining for the shippers the benefit of lower freight rates." He deals mainly with perishable products and makes his profit from selling space in cars at more than the carload rate, yet lower than the less-than-carload or express rates. See L. D. H. Weld, *The Marketing of Farm Products* (1915), pp. 105-107, and see J. H. Collins, *The Country Gentleman,* Mar. 13, 1915.

The country general store.—The country general store is of great importance to growers in some sections of the country. These stores buy food stuffs for local sale at retail and raw materials for shipment to outside markets. This method of purchase is, as a rule, a sign of an undeveloped marketing system, or of a small local production of the crops marketed through the general store. It is usually succeeded by another type of local agency as soon as conditions become settled and production increases.

The general store merchant purchases from his producer-customers their butter, eggs, fruit, cotton, or other products. Of these he retains those which he can best sell to his local trade and ships the surplus to dealers and manufacturers in the central market. He often pays for the goods "in trade," i. e., he exchanges goods for goods. The fact that the general store both buys from and sells to the farmer frequently renders this method unsatisfactory to both parties to the exchange. When this is done either the retail trade or the shipping trade of the storekeeper is usually more profitable than the other, and he is likely to allow the less important to suffer in order that he may keep the good will of the more important trade. Butter is frequently bought by general stores at a flat rate regardless of quality, and eggs by the dozen, also with no regard to quality. Apparently the dealer either does not care to take the trouble to grade his purchases, does not know how, or, more than likely, he fears to lose the good will of his customers if he pays more to one than to another.[17] Eggs and butter are often held until there is a suitable quantity for shipment, with unfortunate results to their quality. Grain, hides, wool, cotton, and a few other crops are bought to some extent by general stores, and although these do not deteriorate so rapidly as do butter and eggs the evils of poor grading and inadequate storage are present. Poor grading penalizes those

[17] Of course, some local stores do roughly grade the product which they buy and pay according to grade. This practice is becoming more general in recent years.

who endeavor to produce a good product and tends, consequently, to discourage the improvement of production, to the detriment of all concerned. Poor grading also makes further inspection and grading necessary at a later point. The wastes from inefficient storage are often great.

What has been said is not necessarily in disparagement of the work of the general merchant.[18] A needed service is performed in this way at those markets where the volume of business is too small to warrant the presence of a specialized country shipper. But as a community becomes established and its production specialized, specialized traders appear and take over the buying activities of the general store. This may be brought about by the general merchant's giving up his retail business and specializing in handling certain farm products, or by his making this part of his business distinct from his retail trade; or it may come about through the appearance of independent buyers in the local market.

(2) Traveling buyer.—In the sale of fruits and vegetables, poultry, butter, eggs, hops, wool, cotton, rice, and cattle, it is common for growers to sell to traveling buyers who go about from farm to farm or who station themselves at a local shipping point to meet the growers as they bring their produce to town. Some of these buyers are independent dealers; others are the representatives of central market dealers or of manufacturers. In some fruit and vegetable districts buyers go about in their wagons buying fruit, vegetables, butter, poultry, and eggs, which they carry to the city retailers and jobbers. Cotton is sold to buyers representing export houses, brokers, and mills, who purchase directly from the growers at local markets, warehouses, steamboat landings, and railroad stations, as well as at the farm and plantation. Where the raising of live stock is a secondary industry local buyers sometimes go from farm to farm purchasing stock from individual growers and combining these in carload lots for shipment to central markets.

[18] For a further discussion of the country general store see pp. 186–187.

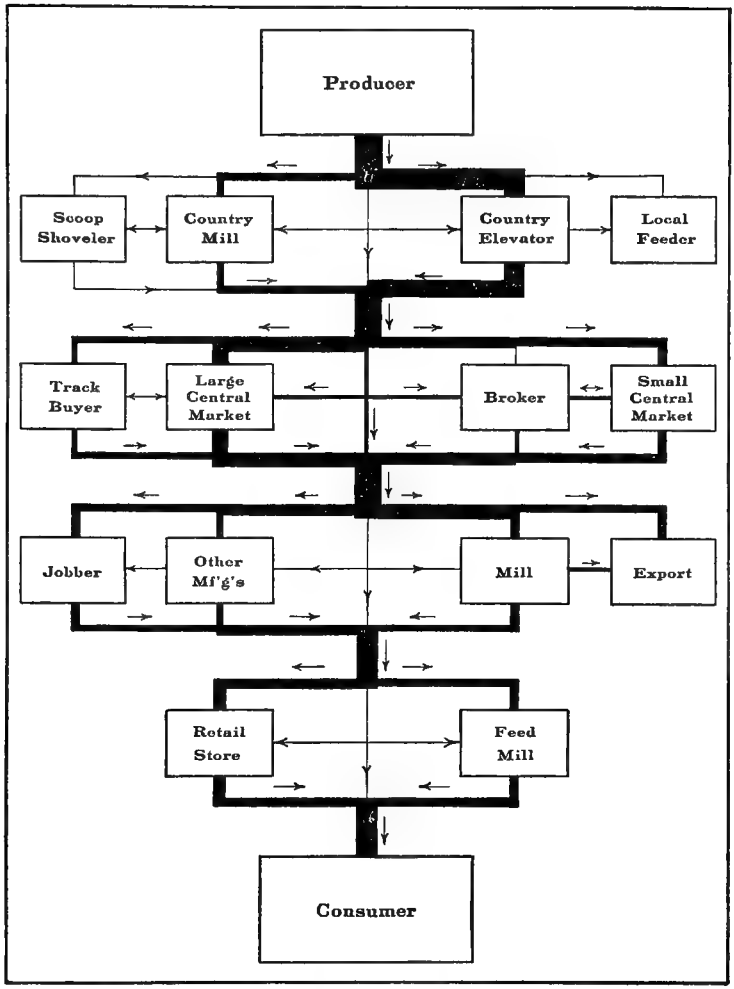


DIAGRAM III.—Marketing Grain at Country Points.

The purpose of this diagram is to list the important agencies handling grain and grain products and, in so far as it is possible by means of a diagram, to show their natural relationship to each other and to the producer and consumer. The width of the line leading to and from each agency indicates in a general way the comparative volume of trade passing through this channel, the arrow indicating the direction of the movement. Commercial intercourse between coördinating agencies is indicated by cross lines. In some instances transactions may take

(3) Local buyer.—The local grain elevator is the most common example of the specialized local buyer with an established place of business to which the growers haul their product for sale. The owner of the elevator usually purchases grain from the farmers in bulk, grades it roughly as a basis for payment, holds it in his elevator until his judgment dictates shipment to the central market, and ships in carload lots.[19] Sometimes, especially with grain of low grade or at times when the market is disorganized, business is done on a commission basis.

"At the present time the primary functions of country elevators are two in number, and in the order of importance they are, first, the merchandising of grain, and, second, the warehousing of grain. Minor functions are, the elevating of grain for farmers and others, the cleaning and conditioning of grain either for the elevator's own account or for others, the handling of side lines, etc. . . .

"In performing its various functions, the elevator becomes a very important factor in the marketing of grain. Most of the grain marketed at country points is bought by the elevators directly from the farmers for the purpose of resale. If, however, the farmer does not care to sell his grain immediately after harvest, he may store it in the elevator,* for which service a fee is usually charged. In some cases the farmer may decide that he will ship his grain himself. In such a case the elevator perhaps elevates the grain and loads it into the car. Or, again, if the grain received by an elevator either for its own account or for that of farmers, contains an admixture of foreign matter the elevator, if

[19] During years when there is a shortage of cars this is a very risky undertaking. See, however, the discussion of hedging on pp. 362–372.

*"Some elevators however refuse to accept grain for storage."—

place between agencies in the reverse order in which they are listed, thus bringing about what appears from the diagram to be a backward movement. Such transactions, however, are infrequent and do not influence the general direction of the movement to any great extent. The diagram is not intended to show any precise or sharply defined routes traveled by grain in passing through the channels of trade from producer to consumer, nor is it intended to show the relative merit or value of the service contributed by the several agencies to the present system of grain marketing.†

†G. K. Livingston and K. B. Seeds. *Marketing Grain at Country Points*, U. S. Department of Agriculture, Bul. No. 558 (1917), p. 13.

it is equipped to do so, may clean the grain thus improving its merchantability.

"In addition to handling grain, either as a merchandiser or warehouseman, many country elevators, and to a lesser extent warehouses, deal in various other commodities. These commodities, especially coal, feed and flour, seed, and lumber, are sold in large quantities to farmers, and numerous elevators also buy and sell wool, beans, poultry, eggs, potatoes, etc. So far as the elevator or warehouse is engaged in these operations, it acts as an ordinary merchandiser, and such operations have no direct relation to the functions of the elevator in connection with the grain business." *

These local elevators are sometimes owned and operated by a local business man, in which case they are known as "independents." They are sometimes units in a "line" elevator system composed of a number of local units, controlled from headquarters in a central market, and usually owned by large grain dealers. A few are the property of millers, and others are owned coöperatively by growers themselves.

In large towns there are local buyers who purchase butter, eggs, and poultry from farmers and general merchants in nearby towns for further shipment to central markets. Throughout the northern potato region growers sell to local warehousemen who buy and store the potatoes on their own account and often sort and grade them. They will also store for the grower and sell for him on commission. Fruit packers buy from growers in California, and wool is sometimes sold to local buyers.

As these local dealers usually pay the grower cash for his product, they need rather large supplies of capital during the season when shipments are heavy. Furthermore, the products are frequently consigned by the dealer to central market commission men or sold subject to grading at the central market. Consequently, but for the financial arrangements made with his customers in the central market and with the local banks,

* *Report of the Federal Trade Commission on the Grain Trade*, Vol. I, *Country Grain Marketing* (Sept. 15, 1920), pp. 23–24.

the local buyer would need to possess a large amount of capital. But it has become common practice for the local buyer to draw drafts on the central market dealer for a large percentage of each shipment, the balance being sent on after the sale is complete. This shifts a large part of the burden of financing purchases at local markets from the local shipper to middlemen in the central markets.

(4) Coöperative shipping.—Coöperative shipping by associations of growers is becoming an important outlet for the products of many sections of the country. Grain, fruit, vegetables, dairy products, live stock, and other products in large volume are shipped through these associations. These will be discussed in Chapter XIII.

(5) Sales to middlemen in outside markets.—Sales made directly to middlemen in outside markets, as well as to distant manufacturers, are usually feasible only in the case of large producers. For in order to utilize this method to the greatest advantage the grower must be able to ship in carload quantities; otherwise the freight cost will usually be prohibitive. The trouble involved in establishing business contacts with distant buyers, the fear of unfair treatment, and the usual necessity of awaiting returns until the arrival of the product at the central market—all of these are further disadvantages of direct shipment to central markets. Live stock is frequently shipped by large growers to commission men at the stockyards, and direct shipment by growers to commission men is common in the sale of fruits and vegetables. Live poultry is sometimes shipped to commission men of the produce market and milk to city distributors and to large butter manufacturers—in each case by fast freight or express. A large volume of cotton is consigned to factors for sale on commission and some is sold directly to mills.

CHAPTER IV

THE WHOLESALING OF FARM PRODUCTS

Agricultural wholesaling is the term applied to the process of concentration followed by dispersion and assembly which is characteristic of agricultural distribution.[1] On the one hand, it reaches out to the grower, establishes business connections with the farmer and the country shipper, and concentrates products at the central market; on the other hand, it reaches out to the mill, the factory, and the retail store.[2]

Establishing Business Connections.—To take the product of the farm and transfer title to its ownership to buyers in the central market involves the establishment of business connections between the dealers of the central market and the growers or local shippers in the country. This may be accomplished through personal solicitation, correspondence, advertising, telegraph, and telephone; and the impetus to exchange may come from either the seller or the buyer. In the fruit district of Delaware, for example, representatives of the dealers in the Philadelphia wholesale market buy fruit from the growers' wagons at local shipping points; in the Middle West bids for grain are sent to local buyers from day to day by mail, telegraph, and telephone. Again, on the other hand, growers and local shippers may consign their goods to central market dealers, or seek buyers in the central markets.

Facilities of the Wholesale Markets.—In order that advantage may be taken of carload rates and car storage privi-

[1] See pp. 2–3, 19, and 39–42.

[2] It is this process which has been the subject of so much indiscriminate attack in the propaganda against "middlemen." The general subject of the elimination of middlemen will be discussed in Chap. XIV.

leges, farm crops are usually shipped to central markets in carload lots. Often a large part of the year's crop is sent in during a comparatively short period of time. In consequence, facilities must be provided for handling car lots and for storing the crop until it is wanted. This involves storage, insurance against loss from such casualties as fire and storm, and, through hedging, against loss from price changes. Facilities must also be provided for assorting produce into the styles and grades demanded by the trade,[3] for the division of the large lots in which the products are held into suitable quantities for further distribution, and for packing commodities for further shipment. Furthermore, there is need for a market news service, as well as for financial and credit facilities. These demands of the market have brought into being a multitude of specialists who are directly or indirectly connected with the wholesale market.

"These central markets are equipped with large terminal elevators and warehouses, exchanges, auction rooms, livestock yards, rail and water transportation facilities, inspection rooms, banking facilities, and all equipment needed for the storage, preparation, handling, purchase and sale, insurance, shipment and financing of large quantities of farm products. Commission men, brokers, auctioneers, wholesale dealers or jobbers, central distributors, contractors, exporters, importers, speculators, elevator and warehousemen, bankers, insurance men, ship brokers, inspectors, weighers, freight forwarders, trucking agencies and other commercial interests are engaged in the wholesale trade which is conducted in these markets. Many of them are, furthermore, equipped with numerous retail establishments and with flour mills, cotton or woolen mills, malt houses, meat packing plants, tobacco factories, or other consumers of farm products who depend upon the central wholesale markets as a direct source of supply." [4]

Distribution from Central Markets.—There are a number of channels for the distribution of products from central mar-

[3] This must be done if it has not been well done at the farm or in the country market, and it very often has not.

[4] Grover G. Huebner, *Agricultural Commerce,* p. 14.

kets. A very large percentage is sold locally to mills and factories for processing—as in the case of live stock, grain, cotton—and many food products ready for sale to consumers are sold to local retail stores; but another large part is shipped out to other central wholesale markets, to jobbing markets, and to outside retail markets.[5]

Products are often shipped from one wholesale market to another. This is sometimes necessary because—as the result of an inefficient market news service—too much of a product is sent to one market and too little to another. In consequence the price in the latter becomes high enough to warrant reshipment. Thus fruit that was shipped to a wholesale market in which an oversupply had caused a fall in price has been known to be shipped out to another market. But when the fruit reached the second market the price had fallen there and it was shipped back to the first, where it was finally sold at retail.[6] This procedure is wasteful, but it is becom-

[5] The table below—from the *Report of the Federal Trade Commission on the Grain Trade* (1920), Vol. II, p. 24—shows the average annual receipts, shipments, and local consumption of wheat from 1913 to 1917 in 10 primary wheat markets of the United States.

TABLE IV.—*Average annual receipts, shipments, and local consumption of wheat at 10 primary markets for the five calendar years 1913 to 1917.*

[In bushels, 000's omitted.]

	Receipts.	Shipments.	Local consumption.	Per cent of local consumption to receipts.
Minneapolis	120,151	38,521	81,630	67.94
Kansas City	55,612	43,986	11,626	20.91
Chicago	65,412	58,127	7,285	11.14
St. Louis	34,209	27,090	7,119	20.81
Omaha	21,275	17,889	3,386	15.92
Milwaukee	8,062	4,933	3,129	38.81
Duluth	56,884	54,090	2,794	4.91
Indianapolis *	3,390	1,255	2,135	62.98
Cincinnati	5,955	4,356	1,599	26.85
Peoria	3,079	2,974	105	3.41
Total	374,029	253,221	120,808	32.30

* 2-year average, 1916–17.

[6] J. Russell Smith, "Price Control through Industrial Organization," *Annals of the American Academy,* Vol. LXXIV (Nov., 1917), pp. 280–283.

ing less and less common as facilities for gathering and disseminating market news improve. In a greater number of cases products are sold by dealers in one central market to those in another, because, as in the last case, the demand at the second is relatively greater than at the first. But, as the second market has no established business connections with growers and local shippers who are normally shipping to the first, it is found easier and probably cheaper to buy from the dealers of that market. The product itself may in fact go directly to the second market and only the purchase be made through the dealers of the first. Cotton, for example, is very largely bought by eastern mills through New York dealers, but much of the actual cotton is stored by the dealer in southern cities, or by local merchants in the South, from whom the New York merchant purchases. The cotton itself may never reach New York.[7]

Goods ready for personal consumption without processing are shipped in large amounts from central markets to jobbing markets in the same, as well as in other, cities. Fruit, for instance, comes into the wholesale market at West Philadelphia in carloads. There it is divided into a few large lots and sold to retailers and jobbers. Some of the fruit sold to jobbers is taken by them to the jobbing market on Dock Street in Philadelphia, where it is sold in smaller quantities to retailers. It is also sold to those jobbers from outside the city whose sales in their own cities are not large enough to warrant buying at the West Philadelphia market.

Classes of Markets.—Several types of markets may be distinguished in the domestic marketing of farm products. Among the more important of these are: (1) local markets, (2) central or terminal markets, (3) secondary wholesale markets, and (4) retail markets. Local markets are those markets—close to the areas of production—in which the farmer can dispose of his products to final consumers, mills,

[7] See M. T. Copeland, *The Cotton Manufacturing Industry of the United States*, pp. 179–184.

factories, or local shippers. They are also called growers' local markets and country shipping points. Central or terminal markets are markets in which products are concentrated from the growing areas and from which they are shipped on to other wholesale markets, or dispersed to mills or factories, and to jobbing or retail markets. Secondary wholesale markets may be central wholesale markets which receive goods from central markets to disperse to mills and factories, and to jobbers; or they may be jobbing markets. In the latter case they are also called jobbing markets, or consumption wholesale markets.[8] In the retail market are found the public retail market places, stores, hucksters, and peddlers that supply the final consumer. Most markets combine from two to four of the types of trade on which this classification is based, and so it is not always easy clearly to differentiate a particular market. There is, however, usually one class of trade which predominates.

Relation of These Markets to Consumption Goods and Raw Materials.—Products ready for personal consumption without processing are likely to be sold through agencies operating in each of the first four markets. They are also likely to be physically handled in each before their final consumption. Raw materials for manufacture, on the other hand, usually pass through but two: the growers' local market and the central wholesale market. In case they are manufactured into consumers' goods they may then go through the jobbing and retail markets for manufactured goods.

Fruits serve for illustration of products used for final consumption in their original state. These are commonly concentrated at local shipping points and then dispatched in car-

[8] For extended discussions of markets in the wholesale produce trade see E. G. Nourse, *Chicago Produce Market; The Report of the Federal Trade Commission on the Wholesale Marketing of Food* (June 30, 1919); L. D. H. Weld, *The Marketing of Farm Products,* Chaps. II-IV, VII, VIII, XVIII, XX; and G. G. Huebner, *Agricultural Commerce,* Chap. II.

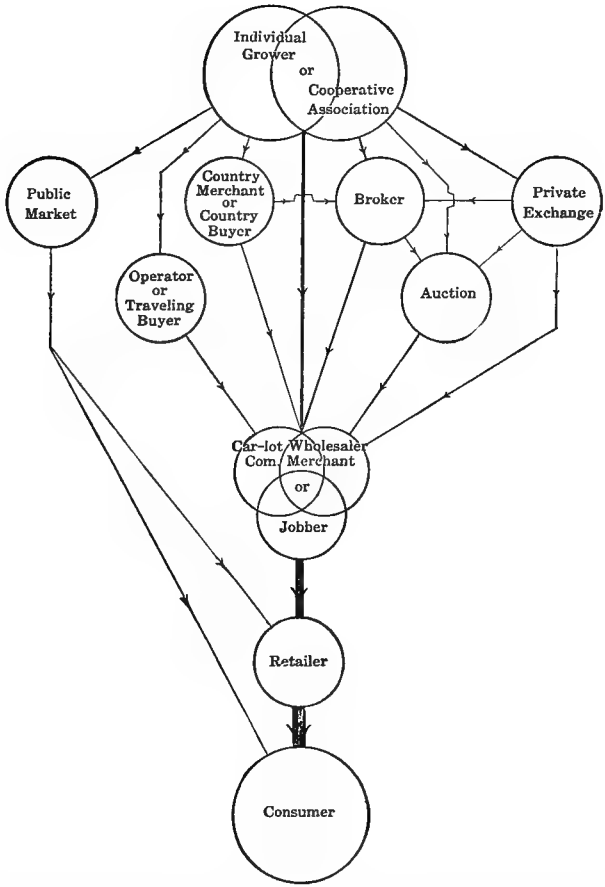


DIAGRAM IV.—Main Channels of Distribution for Fruits and Vegetables.*

* J. H. Collins, J. W. Fisher, Jr., and Wells A. Sherman, *Methods of Wholesale Distribution of Fruits and Vegetables on Large Markets,* p. 22. U. S. Dept. of Agr., Bul. 267 (1915).

load lots to central markets. Here they are sold to local distributors, to dealers in outlying markets in the same city, and to jobbers in smaller cities. These latter dealers are mainly the middlemen of the jobbing market whose function it is to link the large receivers of the central market with the retail outlets for fruit. They buy in large lots from the wholesale receivers of the central market,[9] and divide these large lots into smaller quantities of the proper grade and quality, to be sold to the numerous retail outlets which supply the consumer.

Grain serves as a good example of a raw material. The bulk of the grain from the wheat belt is sold to elevator companies at local markets, and shipped to a central market, such as Minneapolis, Chicago, or Duluth, where it is held by central market dealers and either stored or used in local mills. Of the stored grain, as well as of incoming grain just received at such markets, a goodly portion is sold to dealers and mills in other regions, domestic and foreign.[10] Grain does not enter into jobbing market transactions, and it is not ready for final consumption, but it may actually change hands several times before reaching the mill in which it is to be used;[11]

[9] See pp. 86–87.

[10] "There are a number of different routes over which grain from these primary markets is carried to seaports or to eastern mills." These include the lake routes from Duluth and Chicago, and all-rail shipments and the rail-and-canal movement, through Buffalo to the seaboard. "Lake-and-rail routes terminate also at other north Atlantic ports besides New York, the transfer from lake to rail being made at eastern ports of Lake Erie, and even as far east as Ogdensburg, on the St. Lawrence River.

"In addition to the shipments eastward and across the Canadian border, an important outlet for the grain grown in the Great Lakes region, especially in the southern part of it, has been opened toward the south, and a large part of the traffic is thus diverted through the Gulf ports."—From George K. Holmes, *Systems of Marketing Farm Products and Demand for Such Products at Trade Centers* (1913), U. S. Department of Agriculture, Report No. 98, pp. 68–69.

[11] Much of the changing of hands which takes place is but the change

and it may pass from primary wholesale markets to other domestic wholesale markets, or to seaboard and foreign wholesale markets.

Functions of These Markets.—Although the functions performed by the different markets are in some regards similar, there are special reasons for the existence of each. The principal function performed in the local growers' market is to make it convenient for the grower to sell his produce and to facilitate the collection of the products from growers in sufficient quantities to send them to large markets in carload shipments. This, the first step in the concentration of agricultural products at the great central markets, usually calls for provision for weighing, storing, loading, and in some cases, as with fruits, for assorting, grading, and packing. It provides the farmer with a ready market in case he desires to sell or ship at once, or with storage facilities when he prefers to hold his product. In case his production is small, he is saved the extra expense of shipping his own product in less than carload lots, as well as the difficulties involved in establishing direct business contacts with the central market. Throughout the great grain, live stock, cotton, tobacco, vegetable, and fruit growing regions there are hundreds of such markets in which one or more middlemen are found ready to deal with the growers.[12] To provide facilities for shipping commodities out of the community is not, however, the only function of the local merchant, for many of the purchases made there are for local consumption or for use in local plants.

Central Markets.—It has been shown that most agricultural products, whether sold to mills and factories or consumed

of ownership. The grain is likely to remain stored in one place until the miller wants it for use.

[12] 13,916 local grain elevators and warehouses were reported to the Federal Trade Commission as being in existence in the principal grain states in 1919. *Report of the Federal Trade Commission on the Grain Trade,* Vol. I, pp. 33–35.

in their original form, must be collected from wide areas and concentrated at the great centers of manufacture and consumption, and that even products sold to smaller cities and to farmers themselves must often be concentrated before they are dispersed to these smaller markets.[13] Central markets, located at the center of that process of concentration followed by dispersion which has been described, are important factors in this process. They are found in cities located strategically between the great producing and consuming areas and possessing superior transportation facilities.[14] Cities of this kind are themselves commonly large manufacturing and consuming centers in which great quantities of the products concentrated therein are used.[15] To handle the products manufactured and consumed locally, as well as those which center there to be shipped to dealers, manufacturers, and consumers at other points, an efficient market mechanism has been developed; and this has been expanded to handle far more than local consumption demands. Here are found the great storehouses, banking and credit agencies, exchanges, and other market institutions so important to successful distribution. Because of their equipment and because of their strategic location and the large volume of products used there, it is but natural that producers turn to such cities for a market in which to sell, and that buyers look to them as a source of supply.

[13] There are sometimes preliminary points of concentration to which goods are shipped before they are sent to the great terminal markets. Thus in the produce trade, poultry and eggs are quite extensively collected at these local markets and from there sent on to the larger markets. Tobacco is often handled in a similar manner and cotton is collected at local points of concentration from which it is sent on to larger markets.

[14] See Ellen Churchill Semple, *American History and Its Geographic Conditions* (1903), Chaps. XVI and XVII.

[15] There are important exceptions: New Orleans consumes little cotton; San Francisco, no wool; Galveston and Port Arthur consume little wheat. These last two are really export markets, or transshipment points, rather than true central markets.

Chicago, St. Louis, Kansas City, and Minneapolis, the centers of large consuming areas, strategically located between the centers of production of grain, live stock, and other farm produce and the centers of manufacture and consumption, are important central markets. Each is at the head of water navigation for a large producing area,[16] and each is at the center of transportation systems which connect great agricultural districts with populous districts to the south and east.[17] Galveston and Port Arthur are somewhat similarly located with respect to the grain which goes to market by way of the Gulf, but these cities are not great markets, in part because they do not have an important consuming and manufacturing population. They are transshipment points between railroads and vessels. New Orleans and Baltimore, in similar locations, and having in addition—particularly in the case of Baltimore—a large consumption demand, are great central markets, as well as transshipment points for cotton and to-

[16] This is not literally true of Minneapolis today, of course, because the river is seldom used at present. But the railways now supply the needed transportation.

[17] "For the South—with its autumn turkeys, winter vegetables and citrus fruits, early spring eggs, and early summer peaches and melons—Chicago stands as the natural gateway to many other cities and towns of the North, as well as the home of three million ultimate consumers of these products. Not less is it the gateway *to* the South, through which a great volume of the products of the North are distributed—late fruits and vegetables to prolong the Southern 'season,' and, during the winter, hardy fruits and vegetables, apples, and cranberries. From the mid-West (besides live stock, and cereals), dairy products, eggs, and poultry are drawn to Chicago's *depôt*, and the surplus over her own needs sent East to other consuming centers or to points of export. From producing and importing points in the East she draws supplies—bananas, lemons, grapes, cheese, cabbage, and other fruits and vegetables—for her own use and for re-sale to other markets farther west. In turn she helps to supply the Eastern markets with every choice product of the Western country—Minnesota butter, Iowa eggs, Colorado cantaloupes, California fruits and winter vegetables, Northwest apples, and countless other products."—Edwin G. Nourse, *The Chicago Produce Market*, pp. 7–8.

bacco respectively. The Pacific ports serve as central markets for the produce of the far West.

Dispersion from Central Markets.—Of the goods concentrated at central markets, many are sold there—the raw materials to local manufacturers, the consumers' goods to the people of the community. But concentration takes place far in excess of local consumption and production uses, and products are shipped on to other consuming and manufacturing centers.

This tendency to concentrate wholesaling at a particular point grows with time until it may well be true that, although much of the produce could pass as efficiently through other cities, it continues in the usual way by reason of the customs and habits of the trade and the lack of trade facilities in other cities. And even when such changes do take place the general tendency toward concentration is not eliminated; it is merely transferred in part to another center. As the live stock industry, for example, moved westward, first Cincinnati and then Chicago became the chief center. The latter is still the principal center, but St. Louis, Kansas City, Omaha, St. Joseph, St. Paul and other cities have gradually become central markets for live stock, in part to supply local packing houses, in part as primary markets in the concentration of live stock to supply numerous packing plants farther east.

It is possible to carry on the process of transferring title through the large market without actually shipping the product there, and many products bought and sold on these markets never actually reach them. In the latter case the advantages to be derived from having all purchases and sales for a large area concentrated at one point can be gained, without the disadvantages which may arise from physically concentrating the goods there. New York cotton merchants, for example, sell to New England mills cotton stored in southern cities and have it shipped directly to the mills; and Chicago brokers and merchants divert to other markets products en

route to that city, or ship to eastern markets goods stored at points outside Chicago. In such cases only the transfer of title takes place through the central market, with perhaps some financing or hedging transactions supplementing the exchange.[18] The proportion of the concentrated crops which is consumed locally, as contrasted with that which is shipped to nearby markets and to distant markets at home and abroad, varies greatly.[19] Many of these markets, in addition to obtaining goods directly from growing areas, also receive large amounts of their products from other central markets, domestic and foreign.

Primary Markets.—In the grain trade the central markets which receive products chiefly from the growers' markets are commonly called primary markets. These markets are found at strategic locations in the grain growing states and are generally on the Great Lakes or inland waterways. They are well equipped with railway facilities both for receiving grain from the country and for shipping it eastward and southward to other parts of the country, in which it is used domestically or from which it is shipped abroad.[20] Practically all of these

[18] Financing is discussed in Chap. XVI, hedging in Chap. XVII.

[19] "Over 180,000 cars of perishable foods are consigned annually to Chicago, but nearly half of these are transferred and reconsigned to other points, especially to the eastern markets. The expense and waste incident to delays and difficulties of switching cars from the line on which they arrive to the line of departure from Chicago, and the value of the time lost in locating and inspecting cars at the various yards, constitute an important item in reconsigning cars from Chicago, and is passed on to the ultimate markets as fully as is possible."—*Report of the Federal Trade Commission on the Wholesale Marketing of Food* (1920), p. 116.

[20] Some of the more important primary markets are Chicago, Minneapolis, Kansas City, St. Louis, Duluth, Milwaukee, Omaha, Peoria, Louisville, Cincinnati, Indianapolis, Toledo, Cleveland, Detroit, Wichita. Water transportation is now important to less than half of these points. But their strategic location on waterways accounts in large part for their original development as markets.

markets are situated in cities where local mills, distilleries, and other manufacturing plants consume large quantities of the grain received. As a rule, however, these markets reship well over half their receipts.

Seaboard Markets.—There are also large seaboard markets on the Atlantic, Pacific, and Gulf coasts.[21] The grain received at eastern markets is principally distributed throughout the East, but it is also exported, and much of the grain exported from interior markets is shipped through these ports. The Gulf ports—New Orleans, Mobile, Galveston, Port Arthur—serve very largely as exporting markets, although much of the grain passing through them is actually sold through other markets. The Pacific ports—San Francisco and Portland, and the Puget Sound ports—in addition to performing these functions, are also primary markets for the western grain and wool growing areas. They also serve as local markets, since much western grain is shipped directly to these cities without being sold at growers' markets.

The Cotton and Wool Markets.—Export markets are more important in the marketing of cotton than of grain because more than half the cotton crop is usually exported, chiefly to England, Germany, and France, whereas until the World War the increasing domestic demand for grain had made the foreign markets less and less important. Although a large part of the cotton crop is concentrated at interior central markets—"interior points of concentration"—such as Dallas, St. Louis, Memphis, Augusta, and Montgomery, over half the crop is usually shipped directly from local shipping and compress points to local mills, eastern mills, seaports, and directly to foreign markets. More than two-thirds of the crop is annually shipped to the southern ports from local markets. It is there consumed locally, sold on local markets, or transported by water to northern cities and abroad. New York

[21] Boston, New York, Philadelphia, Baltimore, Newport News, New Orleans, Galveston, San Francisco, Seattle, etc.

and Boston receive most of their cotton from the central markets of the interior and from the southern ports, rather than from local shipping points.

Most of our great American crops, the cereals, cotton, tobacco, are important export crops. Wool on the other hand is more largely imported than exported, over one-third of the local consumption being foreign grown. Here likewise there are interior and seaboard central markets. But the seaboard markets, of which the chief are Boston, New York, and Philadelphia, are of far greater importance than the interior markets, because they serve as import markets, are in the center of the wool manufacturing areas, and are favored by rail rates for the handling of the domestic clip. Chicago, St. Louis, and Omaha are important interior markets; and San Francisco and Portland, well located for ocean shipment and with favorable transcontinental rail rates, are also important.

Exchanges and Auction Companies.—A distinguishing feature of central markets is the importance therein of the sale of farm products upon exchanges. There are two types of exchanges: those on which a single product is sold, and those on which several products are exchanged.[22] The Chicago Board of Trade and the New York and Boston produce exchanges are examples of the latter. But wool, cotton, tobacco, and dairy products, are often sold on exchanges which specialize in the handling of a single product. Examples are found in the New York Coffee Exchange, Louisville Tobacco Exchange, and the New Orleans and New York cotton exchanges.[23] On some exchanges organized speculative trading in "futures" is an important feature; on others, there is none at all.

Another peculiarity of the central market is the auction company through which fruits in particular are sold. Auctions

[22] See Weld, *op. cit.*, Chap. XIII.

[23] It is probable, however, that the reason for this difference is not entirely inherent in the product, but is due to the fact that some cities are so located as to contain a central market for but a single product.

are of most importance when the product is perishable or comes to market in large quantities from distant areas. They are of some importance, particularly in Europe, in the sale of imported raw materials; and the largest fur auction in the world is located at St. Louis. The extent of the use of both auctions and exchanges varies greatly as between different products and different markets. In fact, a very large part of all agricultural products, both raw materials and consumption goods, is exchanged at the central market through private sale, even though the transaction may be made subject to the rules of an exchange.[24]

Jobbing Markets.—The main service of jobbing markets, which are also called secondary wholesale markets, and consumption wholesale markets, is to assemble products for the surrounding retail markets, that is, for sale to retail stores. Jobbing markets are operated on a smaller scale than are the central markets, do not play so large a part in the determination of prices,[25] and perform only those operations which enable them to supply their immediate clientele. In assembling the products which the trade requires, they serve to disperse products concentrated at central markets to various retail outlets. Thus apples are concentrated at central markets, thence dispersed to jobbing markets, and from these dispersed in turn to retailers. But this work in dispersing is simply another aspect of, and is conditioned by, the effort to assemble the various goods which retailers demand. Such a market may assemble goods from central markets, from other jobbing markets, from local growers' markets, and even directly from growers themselves.

As thus described, it is evident that similar markets are not found for raw materials, as these are not retailed. There is, however, a dispersion of raw materials from central markets to outlying secondary wholesale markets and manufacturing

[24] The exchange operations are discussed on pp. 361–362, the auction on pp. 87–88.

[25] See pp. 435–440.

centers which corresponds to the dispersion of single products from the jobbing markets. Raw cotton, for example, for use by northern mills is bought through New York dealers who have concentrated the ownership, if not the actual cotton, in New York, a central market, whence it is dispersed to dealers and mills in manufacturing centers. And grain owned by dealers in Minneapolis, Chicago, and other central markets is sold by them to outlying mills and to dealers in other markets, who in turn sell to manufacturers. The truest parallel, however, to the jobbing market, so far as raw materials are concerned, is the jobbing market for the manufactured products into which the raw materials are made.[26]

The Jobber.—The chief middleman of the jobbing market is the jobber, and it is his activity which largely determines the nature of that market. The amount of a product which his market will consume largely determines the market in which a jobber will buy. If it consumes large enough quantities to warrant purchases in car lots, he is likely to buy directly from the growers' market, in car lots sent from the local shipping point. At times a number of jobbers will combine in ordering a car, and pool the costs and contents of the car on an agreed basis. But in many markets, and for perishable products in particular, jobbers do not sell in large enough lots to warrant such large purchases—in this case they are likely to look to nearby central markets for their supply.

Some Cities Have Both Jobbing and Central Markets.—Although the distinction between the operations of a central market and a jobbing market is easy to draw, actual markets cannot be so readily divided. Some markets which are primarily jobbing markets also reship produce to other jobbing markets, and it is safe to say that all central markets do a jobbing business. Thus Boston is primarily a jobbing market, concentrating products for local consumption. But it also supplies the surrounding territory, in doing which it acts partly in the capacity of a jobbing market and partly in the

[26] See pp. 115–119.

capacity of a central market, shipping goods out to jobbers in surrounding markets.[27] It also serves as a central market for wool. New York is primarily a jobbing market for food stuffs of the farm, but it is a central market for grain, wool, and cotton, and for many imported products, such as rubber, coffee, and wool. In Chicago, Minneapolis, New Orleans, and St. Louis, on the other hand, the work of reshipping concentrated farm products to other cities and to foreign countries plays a much greater part than does the work of jobbing. But in each of these there is also a great consuming population and, hence, a large jobbing market. Furthermore, a city is likely to be a central market for but a few products, whereas it must usually be a jobbing market for all products consumed locally. Certain products are concentrated both for local consumption and for reshipment to other points, but there is assembled the much greater variety of all kinds of agricultural products which are consumed by the local population. Some cities are usually thought of, nevertheless, as primarily central markets, because through their location they have come to play an important part in the concentration and dispersion of a great variety of products.

But not only is it difficult to say that a city is primarily a central market or primarily a jobbing market: it is usually difficult to say that a particular market place within a city is primarily a central market or a jobbing market. This is because the middlemen handling the products do not confine themselves to any one class of business, but seek their sources wherever they seem best at the moment and sell their products wherever the best market offers, regardless of whether that be the wholesale middlemen in another market, or the local retail dealers.

The Retail Market.—Raw materials are usually exchanged in large lots on a wholesale basis. They are not retailed. Goods ready for personal consumption in their original state

[27] See *A Summary of the Market Situation in Boston,* The City Planning Board, Boston, Mass., June, 1915.

must, on the other hand, pass through the retail market. The retail market for these is found wherever final consumers make their purchases. The dealers of this market sometimes secure their products from the grower, thus forming a part of the growers' local market, but more often, they buy from central and jobbing markets. This is the final link in the chain of distribution of agricultural consumers' goods. The reader should again be cautioned, however, that many products of the farm are not sold to consumers in their original form, but must pass through one or more processes of manufacture, and in some cases will never reach ultimate consumers. Wheat, cotton, rye, barley, tobacco, live stock, for example, are all processed in some degree. The retail market for such goods is a market for manufactured products, and the jobbing market becomes a wholesale or jobbing market for manufactured goods—a market in which products are assembled for distribution directly from manufacturers rather than from middlemen in a central agricultural market, or from growers and growers' markets.[28]

Summary.—From the discussion thus far it has appeared that at least four important types of agricultural markets are discernible. But by no means all agricultural products pass through each. Raw materials are likely to be sold by the grower at his local market and thence shipped to the central market where they are sold to manufacturers. In some cases, however, growers sell directly to manufacturers, and in many cases the local merchant sells to a manufacturer without recourse to any central market middleman, or the central market middleman buys directly from the grower without recourse to an independent middleman at the grower's market. Products to be sold to ultimate consumers in practically the form in which they leave the farm are, however, very likely to pass through each of the four markets enumerated, going

[28] The problems of retailing farm products are so closely interwoven with the retailing of manufactured goods that the discussion of the retail market as a whole will be taken up in Chaps. XI and XII.

(1) through the local market, (2) to the central market, from thence (3) to a jobbing market, and finally (4) to the retail market. But it has been indicated that there are many variations from this four-step scheme. Growers sell directly to retailers, jobbers buy from growers and from local shippers, and, finally, central market middlemen buy directly from growers and often distribute directly to retailers, attending themselves to both the concentration and dispersion of the product to and from the central market.

CHAPTER V

MIDDLEMEN OF THE AGRICULTURAL WHOLESALE MARKET

A distinction has been made between central, or terminal, wholesale markets and jobbing, consumption, or secondary, wholesale markets. This distinction is a matter of degree, and the middlemen operating in each cannot be readily divided into middlemen of the central market and middlemen of the jobbing market. Nevertheless, just as the principal function of the central market is to collect produce from country shippers and growers at convenient points for later dispersion, and just as the principal function of the jobbing market is to assemble for retailers, so there are middlemen whose primary business is the collection of products and others who attend mainly to their dispersion and assembly. In fact, it is the presence of these middlemen which makes the market, and the nature of their activities determines its character.

Confused Nomenclature.—There is much confusion in the nomenclature applied to these wholesale dealers. Sometimes middlemen known by a certain name to the trade are no longer functioning in the manner the name seems to indicate: the same middlemen operate in different ways from time to time, and middlemen called by different names by the trade may be operating in the same fashion. It will, therefore, make the discussion more readily understood to start with the operations and business methods which are found, and to pass from these to the classification and nomenclature.

A. Operations.—There are three important operations in the wholesale market: (1) the concentration of products from

the growers or country shippers; (2) the dispersion of concentrated products to other markets, to factories, and to retailers, as a part of the function of assembly; and (3) speculation. Concentration and dispersion have been discussed. The speculative operations are performed by a class of dealers who make it their main business to buy in one wholesale market and ship or sell the product in a similar market, or to resell on the same market, wherever a chance for profit from a resale appears. Buying and selling when they believe the price is lower or higher than general market conditions warrant, they serve, through their operations, to equalize the price and supply as between various markets and between various seasons of the year.

There is, in the wholesale trade, one class of dealers, who are sometimes called "receivers," which is engaged in concentrating products from the local growers' markets and from other wholesale markets, foreign or domestic. Another class purchase from these receivers and in turn disperse the product to mills, factories, and, particularly, to retailers. That is, some dealers are engaged primarily in concentration and some are engaged primarily in dispersion. But there are many deviations from this practice. In fact, it is only in the largest markets that anything like this distinct cleavage is found. In smaller markets the goods pass directly from the receiving dealer to the retailer or manufacturer. That is, the same middleman is engaged in concentration and in dispersion and assembly. Nevertheless, many of the products which the middlemen of these smaller markets handle are bought by them from the large central markets. In so far as this is true, this distinction between receivers and those who disperse is maintained, but the concentrating middleman and the assembling middleman are located in different market places, and often in different cities.

Again, certain wholesale markets are engaged more largely than others in dispersing products which have been concentrated there for the purpose of redistribution to other points,

and some are engaged chiefly in concentrating products for local distribution. In the same city the former type of activity will predominate with products concentrated from the surrounding producing areas for which it serves as a primary market, and the other will prevail for products which are shipped in for consumption from areas not geographically tributary. The differentiation between middlemen who concentrate and those who disperse has developed because it usually proves more effective and more economical for a middleman to specialize.[1] The many deviations from this practice indicate, nevertheless, that it is far from generally recognized as essential. In fact, an individual dealer seldom confines himself exclusively to one or the other kind of operation. The middleman of the jobbing market may buy most of his products from a receiver at the central market, but if opportunity offers he does not hesitate to go over the latter's head to the country shipper or even to the producer, sometimes contracting for products before the growing season begins.

[1] It is of interest that the scale of operations in the produce market continues small. "The growth of larger organizations in the produce business has not brought about a proportionate increase in the size of the operating unit in Chicago. It has not given us enormous local concerns standing out in the business as Marshall Field and Sears, Roebuck do in their respective spheres, and financially capable of building for themselves the plant which would give them the maximum of technical efficiency. The point is, of course, that the big produce business grows by enlarging its contacts with many producing and many consuming points, and its life and growth are based upon constant and personal direction by men intimately and somewhat permanently connected with these diverse local situations. It does not admit of being reduced to a routine, which can then be multiplied into a great establishment, but must remain a network of small and personal places of business. Apparently there are fairly definite limits, under present conditions, to the advantages to be gained by increasing the scale of operations beyond a certain point. It is extremely doubtful that Chicago dealers will ever be in a position to furnish themselves with a really adequate equipment. They must look to the railways, the cold-storage companies, special terminal corporations, or to the city government."—E. G. Nourse, *The Chicago Produce Market* (1918), pp. 114–115.

The receiver in turn may sell chiefly to jobbers, but does not hesitate to sell to retailers if a suitable opportunity offers.

This failure for clear lines of demarkation to develop between classes of dealers is one of the features of the distribution of farm products which distinguishes it particularly from that of manufactured goods. With manufactured products there is a distinct tendency for middlemen to confine themselves to particular types of operation. Any departures therefrom are commented on by the trade, and frequently lead to trade "wars" upon such "irregular" dealers. Nothing of the kind is found in the farm market. The conditions under which farm products are marketed vary so from point to point, there are so many channels of distribution open to the grower and so many types of sale are found, that methods change constantly. Furthermore, because market prices continually fluctuate and many products quickly deteriorate, speed is important; and so there is no inclination on the part of farmers, dealers, or consumers to confine themselves to so-called "regular" methods of exchange.

Specialization of Middlemen by Products.—There is also a tendency for middlemen to specialize in the distribution of single products or classes of products. In the larger markets there seems to be a fairly distinct cleavage between middlemen handling the following classes of products: meat, fish and sea food, grain, cotton, wool, tobacco, fresh fruits and vegetables, dairy and poultry products, and the like. Even at local shipping points and in the smaller markets there is a tendency to such specialization. So many middlemen operate, however, in several of these lines that this should be looked upon simply as a general tendency.[2]

B. Business Relations.—In Chapter I a distinction was drawn between merchants and functional middlemen of ex-

[2] This situation in the produce trades is discussed in the *Report of the Federal Trade Commission on the Wholesale Marketing of Food,* pp. 27–30. See also L. D. H. Weld, *The Marketing of Farm Products,* pp. 14–16.

change. This classification is based upon the business relationship existing between the dealer and his customer. The merchant is the actual owner of the goods he deals in, and as such bears all of the risks and responsibilities of ownership. His profits result from his own trading. The functional dealer does not own the merchandise and does not bear the risks of ownership, but represents the buyer or the seller and is paid by him for his efforts in his behalf. It is common for the same middleman to operate in both ways.

(1) Commission dealing.—Those middlemen who act as intermediaries between country shippers and buyers in the central market are called commission merchants—although they are not merchants—or commission men, in the sale of grain, live stock, fruits and vegetables. They are called factors in the raw cotton trade, and merely buyers in some trades. They normally act for the grower or country shipper in the terminal market and neither buy nor sell on their own account. Sometimes they represent buyers rather than sellers. Their primary service is to know the markets in which their clients' products can be best disposed of. They are paid a fee or a commission for their services. Dealers usually operating on a commission basis frequently buy and sell on their own account. When doing so, they are, of course, not acting in the capacity of commission men.

(2) Outright purchase.—Dealers who buy outright are not clearly distinguished in the nomenclature of the central market. Those whose chief function is to collect from the growing areas are variously called "wholesale receivers," "wholesalers," —a term which is likewise applied to all dealers in the central wholesale market—"car-lot receivers", and "jobbers." The term "wholesale receiver" best expresses the function involved, is less liable to confusion than is the term "wholesaler," and is preferable to the term "car-lot receiver," because it is less restricted in its apparent meaning. As the jobber's operations are commonly considered to be confined to the assembly of products for sale to retailers, the term "jobber" is unsatisfactory.

The term "wholesale receiver" is not only the best, but it has already been introduced into the scientific literature of the subject.[3] Consequently, it will be used here.

Among the members of the trade and in popular discussions the term "commission man" is frequently used to include both the middlemen who actually work on a commission basis and those who buy and sell on their own account. This confusion is easily explained. In sending products from distant growers' markets to the terminal market the first method to develop has usually been the commission method. For reasons which will be mentioned presently there often follows a gradual change of method on the part of certain dealers.[4] They begin to buy and sell outright and may come in time to deal entirely on such a basis. But they continue to call themselves commission men and to be known as such. Despite this confusion of terms and of practice the two methods are distinct and are recognized as distinct in the trade. Consequently it is feasible to organize a nomenclature on this basis: a nomenclature which, moreover, conforms closely with trade usage as well as with that already adopted by students of agricultural marketing.

Commission Dealing.—The usual business of the commission man is to receive goods directly from the country. He does not buy, but endeavors to sell for his country client, usually in the terminal market in which he is located. Thus in the cattle trade the stockman or country buyer will consign a car or more of cattle to the commission man. When the shipment arrives at the central market, the commission man takes complete charge. (1) The cattle are divided roughly into groups, which conform to the demands of the buyers, after which they are driven into enclosures and the commission man, as the representative of the seller, has complete power (2) to sell the cattle and (3) to collect the proceeds for his client. After the stock is sold the commission

[3] See Weld, *op. cit.*, p. 80.

[4] See pp. 81–84.

man deducts the costs which he has paid, such as freight, feed for the stock, insurance charges where they are involved, and yardage and inspection fees, as well as his own commission for selling. He is usually paid a sum which is a percentage of the total sales or which is made up of a certain charge per unit sold.[5] The details which determine the amount and the nature of the deductions for costs and services by the commission man have usually been determined in advance by agreement between the receiver and his customer or by the established rules of the trade.

Some time necessarily elapses between the shipment and the sale of the goods, and many shippers are unable or unwilling to wait for their money until the returns would naturally reach them. It is the custom in some trades, consequently, for the receiver to advance a certain proportion of the estimated value of a shipment at the time it is sent. Cotton factors, for instance, frequently store cotton for shippers who are not ready to sell and advance money on the stored cotton.[6] This is in the nature of a loan on suitable security,

[5] These commissions range for different products between one and fifteen per cent of the selling price. The charge is usually less for car lots and a higher commission is charged for the sale of the more perishable products and for products for which no central market places exist in which buyers and sellers come together. Goods bought in bulk are sold on a higher commission than those purchased by grade or sample.

[6] They sometimes do more. Thus, "It is an established custom for him [the cotton factors about Memphis, Tennessee] to advance to the grower money to enable the latter to plant, cultivate, and gather his crop, such advances usually being made upon the basis of $15 per bale on the number of bales which the grower contracts to deliver to the factor. Upon advances so made the factor charges interest at the rate of 8 per cent. When the cotton has been ginned and, in accordance with the contract, delivered to the factor, the latter sells it and in settlement with the grower deducts his 8 per cent interest on money advanced, a commission of 2½ per cent, and expenses consisting usually of freight charges, drayage, storage, and insurance. Where all these charges attach to the handling of a bale of cotton by the Memphis factor the average, it is said, amounts to approximately $3 per bale."—*Interstate Commerce Commission Reports,* Vol. XXVI (1913), p. 590.

although the understanding is that the factor will eventually sell the goods for his client. When final payment is made the factor deducts, among other things, interest on the money advanced. Local shippers of grain commonly draw drafts on the purchaser for the full amount of the sale. In other cases, particularly when selling through commission men, they are allowed to draw up to a certain percentage of the estimated price.

Rise of Outright Purchase from Commission Dealing.—The commission method of dealing is almost always found when marketing is crude and undeveloped, when goods vary in quality, variety, and method of packing, when transportation facilities are slow and not dependable, and when market news is inadequate. Under such conditions dealers are usually unwilling to undertake the risk of buying the product outright. If they do buy they must pay a price low enough to offset the risk involved. The shipper, consequently, is likely to prefer to bear that risk himself for the chance of the higher price he may obtain through consignment. But as these conditions improve, as producers begin to specialize and to produce products of more uniform variety and perhaps to grade them by quality and variety; as transportation systems develop so that schedules can be depended upon, and the speed of trains increases; as refrigerator cars and other special equipment become adequate; as news of the needs of the market and of available supplies comes to be more accurate and more readily obtained—the risks en route and at the central market grow less, and consequently the possibility of outright purchase by the dealers located there becomes greater. But such improved conditions make outright purchase only more probable; they do not cause it to develop.

Among the causes that may compel the change from consignment to outright purchase are the conditions in the trade and the demand of shippers to be relieved of risk. Shippers very largely oppose the consignment method, or are suspicious of it, particularly when the scarcity of market news makes

them unable to follow the market closely,[7] or when they grow products which are likely to deteriorate before they reach the market, or which fluctuate greatly in price. They are likely to feel that they are not getting the top price, or that the dealer's deductions for grading, packing, or for unsalable products are too great—that the commission man is not dealing fairly with them.[8] They are more than likely, consequently, to patronize a dealer who will offer to purchase outright at the market price. This relieves them of the necessity of waiting for the returns and of the uncertainty and risk connected therewith. On the other hand, as the central market dealers are in the best position to know the needs of the market they sell in, and as they gain individual experience and as market conditions improve, they reach a place where they are in a position to bear the risks of merchanting and, in order to gain any increased trading profits which may result, prefer to operate that way. It is possible, also, that the increased interest of the dealer who has his own funds invested in the goods causes him to operate more effectively. Furthermore, since he is located in the central market, he is in a better position to determine market trends and, consequently, to carry the market risks.

These facts, coupled with the competition of commission men among themselves and with other classes of dealers for products to handle, or with which to supply their established trade, have undoubtedly been important in bringing about a change. Thus, in the produce trade, in order to procure just the kind and quality of products they require, the jobbers have often gone over the heads of the receiving middlemen and have themselves bought directly from the producer or country shipper, paying cash.[9] This has sometimes forced

[7] See *Report of the Federal Trade Commission on the Wholesale Marketing of Food*, pp. 40–42.

[8] See E. G. Nourse, *The Chicago Produce Market*, pp. 55 ff.

[9] Nourse, *op. cit.*, p. 51 ff., and *Report of the Federal Trade Commission on the Wholesale Marketing of Food* (1920), pp. 52–53.

the commission man to meet not merely the competition of other wholesale receivers but to contend with that of the jobbers as well. Again, in order to be assured of the kind of produce wanted receivers are often forced to get products from distant sources and are compelled not merely to pay cash, but even to guarantee a certain price before the growers will plant the crop. This is because the latter are unwilling to take the risk of that particular crop and its prospects in the distant market. Moreover, in time of shortage in his normal field of supply the dealer may need to enter growing sections in which he does not ordinarily buy, and to the growers of which he is not known. To compete with established houses he may be forced to pay cash. Sometimes the commission man has sold the greater part of a shipment on a commission basis, and rather than hold up the payment of the shipper until it is sold he buys the remainder himself. Finally, as particular dealers gain in financial power and are able as a result of increased reputation with banking houses to borrow funds, they become able to carry on their business on this basis, whereas before these fortunate conditions arise they must operate on a commission basis, in which less capital is required.

Both Business Relations Prevail in Most Lines.—Any of these causes may lead to outright purchase, and temporarily, at least, tend to confuse business methods. For during this change it is evident that both business relationships are likely to prevail in the same market and to be used by the same merchants. Likewise, the limited financial resources of new dealers coming into the field tend to perpetuate commission dealing. In most trades the two methods are found side by side, and the consignment sale is by no means losing ground in all trades. Thus in the cattle industry, the commission method prevails almost entirely. Because of the continuous market for live stock, its excellent organization, and the knowledge which shippers have of the market, and because of the efforts which have been made by the dealers' associations

to prevent sharp practices, this method appears to continue to give satisfaction, and the demand for change has not been great enough to bring it about. Well over two-thirds of the grain sold by country dealers is consigned for similar reasons,[10] and in periods in which prices are fluctuating greatly, or when the grain of a particular section is of very poor quality, dealers who ordinarily buy may be unwilling to chance the extraordinary risks which these conditions cause and so simply operate on a commission basis for the time being.

It seems that the continuance, side by side, of these two methods may prove a protection to the growers, because they can utilize whichever method suits them best, and the competition between the two classes of dealers tends to obtain good service from the commission dealers and good prices from the merchants.

Outright Purchase: The Wholesale Receiver.—Large quantities of products are now bought outright by merchants in central markets. It is to such merchants that we here apply the term "wholesale receiver," although the trade is likely to continue to call them "commission men" long after they have ceased to operate on a commission basis. The main function of both wholesale receivers and commission men is to concentrate the products from country shipping points at the terminal markets. The wholesale receiver, in buying outright, bears all the risk of marketing the product after it leaves the country shipping point;[11] when the dealer works on a commission basis, the shipper bears the risks.

Because of the uncertainties involved it seems that the outright purchaser would require a larger profit than that required by the commission dealer in the same trade. Probably

[10] *Report of the Federal Trade Commission on the Grain Trade,* Vol. I, pp. 144-145.

[11] In the case of sales in which the price is determined by the market price on the day of arrival, the dealer's risk begins on arrival.

this is true. But facts are not available for proving the case, and the following statement concerning the grain trade is of interest:

"Grain jobbing is a precarious business. Several grain jobbers suggested that in considering the jobber's profits attention should be called to the fact that about 10 per cent of the grain jobbers fail in business each year. The average profit of a grain jobber is about 1 cent per bushel on wheat handled, depending on the volume of his business, his knowledge of the market, and the movement of prices. As he is performing practically the same function as the commission man he can not expect to make on the average much more than the commission man, who, as stated, receives uniformly 1 cent per bushel for his services in the grain exchanges." [12]

The Broker.—The broker is another receiver who operates in much the same manner as does the commission merchant, except that he more frequently represents buyers in the central market than does the commission man, and seldom represents growers or country shippers. He usually handles goods in larger lots, performs fewer functions, exercises fewer powers, and so works for a smaller fee than does the commission man. Usually the broker merely gets in touch with the market sources for his principal and then must confirm prices and conditions of the contract before he can act; his powers of representation for his client are thus not usually so broad as are those of the commission man. His main function is to bring buyer and seller together.

When a broker represents a shipper he is sometimes called a shipper's representative. But the shipper's representative does not always sell; often his duties are to inspect the shipper's products when they arrive at the central market, the selling being left to other agencies. As many shippers' representatives work for salaries, it is evident that they are not

[12] United States Bureau of Labor Statistics, No. 130 (1914), (Retail Prices and Cost of Living Series, No. 9), *Wheat and Flour Prices from Farmer to Consumer,* p. 29.

true brokers.[13] Transactions on produce exchanges are commonly made through brokers.

Inasmuch as some dealers called "brokers" perform more functions and exercise more powers, and as some commission men perform fewer functions and exercise fewer powers, than are here indicated, it is frequently difficult to classify individual firms. The two types shade almost imperceptibly into one another.

The Jobber.—The main business of the jobber is to assemble goods for retailers. In order to be supplied with the products which his trade demands, the jobber is on the constant lookout for any source of supply that will give him the desired products of the proper quality and quantities, at the time wanted and at the lowest price. But although he is constantly on the lookout for the best source of supply, most of his purchases are made from receivers in the central market. This is particularly true in the case of products coming from a distance, and such products are usually in the great majority. Even crops grown locally, such as fruits and vegetables, can usually supply the local market for but part of the season. Before and after the local season they must be imported from sections in which the crops mature earlier and later. It is true of practically all markets that but few of the products they consume are grown locally and that when

[13] The term "broker" is also applied in the fruit trade to local representatives of wholesale receivers and commission houses who go to the country shipping points and buy or take on consignment for their houses the products of the growers. They usually work on a commission basis, the commission being paid by the house they represent. The term "solicitor" is also applied to these local representatives of terminal market middlemen, particularly when they work on a salary basis. The work of such middlemen must not be confused with that of the dealer here described.

The broker of the fruit and vegetable trade is described in J. H. Collins, J. W. Fisher, Jr., and Wells A. Sherman, *Methods of Wholesale Distribution of Fruits and Vegetables on Large Markets,* U. S. Department of Agriculture, Bul. No. 267 (1915), pp. 11–14.

so grown the supply is frequently insufficient even during the height of the season.[14]

Jobbers do not usually confine themselves to a single source of supply but depend now on one source, now on another. Thus, produce jobbers in some of the outlying markets in the city of Chicago buy much of their produce directly from the central market on "South Water Street"; others, however, buy from growers,[15] and either may buy from time to time from the other source. Jobbers in the smaller cities likewise buy both from nearby and distant growers and from receivers in central markets.

The Auction Company.—An agency of considerable importance in the distribution of perishable products at central markets is the auction company. The function of an auction company is to furnish a place and a business mechanism through which perishable products shipped from great distances in large quantities can find an immediate market. The company supplies a building to which the goods are taken and in which samples—called "parts of marts"—can be displayed. A daily catalogue is printed naming the goods offered for sale on that day, and auctioneers are provided. Sales are made on the basis of samples representing each lot of goods. After the sales are made the company attends to the collection and remittance of the proceeds. The auction company represents the shipper and sells for him, or rather for the wholesale receivers and commission men who handle the shippers' produce in the central market; and the buyers or their direct representatives are there to bid on the goods as they are offered for sale. Only wholesale middlemen are usually

[14] It has been estimated that not over 5 per cent of the produce consumed in the New York area is grown within the trucking radius (50 miles). *Report of the Federal Trade Commission on the Wholesale Marketing of Food,* pp. 202–203. See also L. D. H. Weld, "The Food Supply of the Iron Range" in Weld and Others, *Studies in the Marketing of Farm Products;* Studies in the Social Sciences, No. 4, University of Minnesota (1915), p. 109.

[15] See E. G. Nourse, *The Chicago Produce Market,* pp. 14–26.

represented as sellers at such sales, although at times large shippers are present. Jobbers are the chief purchasers, but regular retailers and such venders as hucksters and push cart men sometimes buy. The fees for the services of the auction companies usually consist of a commission charge to the seller.[16]

Middlemen Who Speculate on Quick Price Changes.—The middlemen thus far discussed are mainly engaged in concentration or dispersion. A third group operates mainly in the central market. Middlemen of this kind seldom hold products for long, but make it their business to watch prices carefully for a chance to make speculative profits from rapid transactions. When prices are lower than they believe conditions warrant, they buy, selling later at the advanced price, in case they have properly judged the market. Or they buy in one market when prices are a little lower than in another and sell quickly in the other market before prices have again become equalized. Their profits on individual sales are usually small, the very nature of their business tending to keep the markets in close adjustment. For when the price in general or prices in a given market get out of line their purchases and sales tend to bring prices back to normal, and hence to eliminate entirely the chance of profit from such transactions. Operations of this kind are mainly speculative, but they serve to keep prices at a point near to that which market conditions seem to warrant. This helps to keep large dealers from forcing prices up or down and to prevent extreme price fluctuations.[17]

Functional Specialists.—There are other market agencies highly specialized by function. It has been shown that mar-

[16] Detailed discussions of auctions will be found in L. D. H. Weld, *The Marketing of Farm Products,* pp. 53–55, 124–141; E. G. Nourse, *Chicago Produce Market,* pp. 32–38; *Report of the Federal Trade Commission on the Wholesale Marketing of Food,* pp. 56–59. In Europe many raw materials, such as wool and rubber, are auctioned. Wool is sometimes sold at auction in the United States.

[17] See pp. 372–375 and 440–443.

keting consists mainly of buying and selling and of the processes of transportation and storage. The middlemen so far discussed have dealt mainly with buying and selling and in so far as they have carried or stored goods it has been incidental to that function. But there are agencies which specialize entirely in transportation, storage, risk-taking, and financing. These are not middlemen according to the classification of Chapter I. They perform services which buyers and sellers would otherwise have to perform, just as the producer and the consumer would have to attend to all the details of buying and selling if there were no middlemen.[18]

[18] Examples have already been given in Chap. I, and need not be mentioned again at this point. It will also be unnecessary to discuss now the retailer of agricultural products, for the retailing of farm products is so similar to the retailing of other products that it can be left for later consideration.

CHAPTER VI

MARKETING RAW MATERIALS

I

The three preceding chapters dealt with the marketing of farm products, whether used as raw materials or foods.[1] This chapter will consider the marketing of raw materials, as illustrating the marketing of production goods. Every manufacturer has both a buying and a selling problem; and this chapter treats what is perhaps the most important part of the former—the purchase of raw materials.[2] The problems involved in marketing semi-manufactured production goods will not be specifically discussed. But the omission is not serious, since, from the point of view of the purchasing manufacturer, the problems are similar to those mentioned in this chapter, and the problems of the selling manufacturer are discussed in later chapters.

Small Scale Production of Raw Materials.—Raw materials are the products of the farm, forest, mine, and sea before they undergo the manufacturing processes which prepare them for use. Such materials are used in large quantities by individual manufacturing plants, but they are ordinarily pro-

[1] Foodstuffs when they are to be preserved, packed, canned, dried, or otherwise processed on a commercial basis will be considered as raw materials; after those processes have been completed, they will be considered as manufactured products.

[2] On the general subject consult Arthur E. Swanson, "Determining the Purchasing Policy," *Administration,* Vol. 2, No. 5 (Nov., 1921), pp. 616–622; H. B. Twyford, *Purchasing* (1919), and Charles S. Rindsfoos, *Purchasing* (1915).

duced and extracted from nature on a small scale. Furthermore, the sources of raw materials are often at a great distance from individual factories and the centers of manufacture. Such products must, consequently, be collected from small producers and concentrated in manufacturing centers and at manufacturing plants. Farm products in particular—fruits, vegetables, grains, sugar beets and sugar cane, tobacco, coffee, forage crops, cotton, rubber, wool, live stock—are produced on a small scale by thousands of independent growers. Even a large plantation is small scale when compared with a modern factory. Among the extractive industries, such as mining, lumbering, fishing, large scale operation is more common. But even here a large volume of the total production is small scale.

Transportation Problem.—Transportation costs usually determine whether materials will move to the factory in their crude state, or whether there shall be at least a degree of processing at the source. The location of factories at a considerable distance from the source of their raw materials is a common phenomenon.[3] But, in the case of very bulky products, of products in which there is a large percentage of waste, and of products extracted on a large scale, a rough processing, or even complete processing, may take place before the product is moved very far toward its place of ultimate consumption. Lumber mills, for example, are usually located at the forests, although the furniture and houses made therefrom are constructed and manufactured far away in the centers of consumption and manufacture. This is the case because the market for lumber is definitely limited by the cost of its transportation and less than 50 per cent of the cubic

[3] Frequently these factories are concentrated in a few sections of the country. Common illustrations are the woolen and cotton mills of New England, the shoe factories in Massachusetts, the automobile plants in the Detroit section, etc. See the *United States Census of Manufactures* (1906), Vol. I, Chap. XII; and Malcolm Keir, *Manufacturing Industries in America* (1920).

volume of the tree reaches the market in the finished form.[4] Ores are frequently partially refined near the mines. This is particularly true when a long expensive rail haul is involved. The reduction of iron ore to metal, for example, is frequently undertaken where the ore, or other raw materials—fuel and flux—are found. The pig iron is easily shipped in bulk and is of sufficient value to warrant a long haul, whereas it may prove too expensive to haul the ore, the fuel, or flux, for similar distances. In this way the cost of transportation is reduced. Sugar beets are completely processed where they are grown. Only one-eighth of their weight can be extracted as sugar. This makes it necessary to place the refineries in the beet-growing sections; otherwise the expense of transporting the raw materials to the factory would make the costs much higher and prevent competition with lower cost refineries.[5]

Where raw materials and finished products are both very bulky, as is the case in the cement, brick, and tile industries,[6] there is a tendency for the industry to be operated in a purely local way. When there is a suitable supply of such raw materials at hand a local plant, even though operating on a relatively small scale, can far underbid more distant producers. Consequently, although a very high proportion of such materials is processed near the final market, it is also made from local materials.[7] When the raw material is perishable, there is, likewise, a tendency to manufacture near the source of supply. Examples are found in the localization of the salmon canneries in the Northwest, and of the vegetable and fruit canning industries in districts where there is a sufficient supply of materials to warrant the establishment of canneries. The

[4] R. C. Bryant, *Prices of Lumber,* U. S. War Industries Board, Price Bul. No. 43.

[5] *Report of the Federal Trade Commission on the Beet Sugar Industry in the United States* (May 24, 1917), pp. 152–153.

[6] Heinrich Ries and Henry Leighton, *History of the Clay-Working Industry in the United States* (1909), p. 6.

[7] For a good recent discussion of the reasons for the localization of industry the reader is referred to Keir, *op. cit.,* Chap. III.

packing of oysters in Baltimore, and the wine industry in California are other examples.[8]

Need for Standardized Materials.—In addition to his need for a large supply, the manufacturer desires raw materials of the exact quality his finished product demands. Furthermore, they must be made available for use as needed. But individual producers and even whole producing areas cannot always meet these demands. Raw materials are by no means uniform in quality, and both the quantity and quality of materials produced, as well as the materials used, vary from season to season, from producer to producer, and from manufacturer to manufacturer. Raw materials must be taken as nature supplies them, and man is unable to exercise a sufficient influence to avoid variations in either quality or quantity.[9] Agriculture and many extractive industries, furthermore, are seasonal in nature, whereas the manufacturing plants which utilize their products prefer to operate continuously. Even when the demand for the manufactured product is seasonal, production conditions usually make it imperative that the factory operate at a uniform rate of production throughout the year if that is possible.

The demand of manufacture for materials uniformly of particular qualities arises in the first place from conditions

[8] The bulk of the raw products and the waste involved are, however, likewise important factors in each of these cases.

[9] An extreme illustration of the failure of producers to supply raw materials of uniform quality is found in the case of American wool: "The lack of uniformity in American breeding methods perhaps does more than any other one thing to make close or accurate grading of our wool impossible. Neither wools from any given locality, nor even separate clips have a closely uniform character. . . . When the Wool Exchange attempted to list and prescribe a minimum number of standard classes, it was unable to reduce the list to as few as 200 main classes, and the relations between these were very hazy. This is in sharp contrast with the relatively simple grading systems for cotton and wheat, and also shows a marked difference from conditions in either the English or Australian wool-auction warehouses."—Paul T. Cherington, *The Wool Industry* (1916), p. 67.

in the market for the finished products—the need to supply a commodity of uniform quality to the trade. The tendency for manufacturers to sell by specification, by brand, trade name, or trade-mark makes this particularly important.[10] An additional cause for this demand for carefully standardized materials is the fine adjustment with which some machinery is now set—a condition which makes it imperative that the proper materials be used.

"With the increase in the spinning of fine counts and in the manufacture of fine goods, it has become necessary for the manufacturer to discriminate in the quality of cotton which he buys, and in the manufacture of coarser yarn and cloth the machinery adjusted for a certain grade of cotton cannot be operated advantageously on a lower grade, while a higher grade adds a needless expense. The spinner must also be careful in his selection of the raw cotton because of the preference of the operatives to work continuously upon the same grade. If an attempt is made repeatedly to substitute an inferior grade, it is difficult to retain the better class of operatives." [11]

Merchandising Demand for Standardized Materials.—But another, and perhaps in most cases a more important reason for the demand for standardized materials, is what might be called a merchandising demand. Manufacturers prefer to be able to purchase just the grade of materials they need to use. This is because they do not wish to go to the trouble and expense of grading materials as they come from the producer, and of marketing the surplus which they cannot use. Neither do they care to bear the extra cost of buying materials which they can not use, even though they may be able to resell them. Nor do they wish to bear any greater risk of price changes or of physical deterioration than is involved in purchasing the minimum amount of the exact quality of materials demanded by the factory.[12]

[10] See pp. 402–406.

[11] M. T. Copeland, *The Cotton Manufacturing Industry of the United States* (1912), p. 184.

[12] Standardization by market agencies does not always complete the

Inspection.—So important is it to have raw materials possessing proper characteristics that in many cases manufacturers are not content with buying raw materials on grade alone. Often, as with wheat, the actual value of the product for manufacturing can not be determined with sufficient accuracy by the ordinary methods of grading; therefore a careful inspection and laboratory analysis of the product is made in the interests of the buyer.

"The distinctive value of hard winter wheat . . . lies in the relatively high per cent of gluten it contains. . . . The higher the percentage of gluten in the wheat the more desirable the flour is for bread-making purposes. . . ."

. . . . . .

So important is the content to the millers in determining the value of the wheat for milling purposes that "in several of the large grain handling cities there are laboratories devoted to a scientific analysis of wheat where samples can be submitted and the constituent elements of the grain carefully determined. . . .

. . . . . .

"Ordinarily the lower the test weight of wheat . . . the greater is the proportion of feed and the less the proportion of flour; consequently, more pounds of No. 3 than of No. 2 wheat are required to make a barrel of flour. This explains why No. 3 wheat is lower in price than No. 2 wheat, though both are bought at 60 pounds to the bushel." [13]

A further reason for such inspection is the opportunity for fraud, particularly when goods are purchased by grade or sample through private agencies. The purchase of rubber illustrates this last point. Rubber is purchased from sample, and as with any article purchased in this way, the chance

process. Wool fleeces, for example, are graded by the merchant, but the fleeces are also "sorted" at the factory because each fleece is composed of a variety of staples of different qualities. Cf. Report of the Live Stock Commissioner, Department of Agriculture, Dominion of Canada (1911), *The Sheep Industry in Canada, Great Britain, and the United States*, pp. 118–123.

[13] United States Department of Labor, Bureau of Labor Statistics, Bul. No. 130, *Wheat and Flour Prices from Farmer to Consumer* (Aug. 15, 1913), pp. 16, 31, 34.

for fraud is very great. Experts, therefore, must inspect the bulk of the rubber that comes into a plant to make sure that it is up to sample.[14]

The Benefits of Grading.—The considerations previously mentioned give well graded products a certain value over those which are not graded. In fact it has been shown that a greater premium is frequently paid for graded products than the advantages of standardization would seem to warrant. This is an incentive to those who produce or market such products to grade them carefully in order to take advantage of this enhanced price. A still further reason for grading is that it facilitates contracts for future delivery, placing them upon a known and definable basis.

Concentration of Raw Materials.—From the conditions that have now been discussed—the need of the manufacturer to procure a supply of products of uniform qualities, as needed, from producers operating on a small scale and unable to meet those demands individually, or even from local supplies—it follows that the collection and concentration of raw materials plays an important part in their marketing. This concentration serves a different purpose from the concentration of farm products for personal consumption. With the latter, concentration precedes dispersion to small consumers and occurs because it facilitates such dispersion.[15] With raw materials concentration is necessary because they are used in large quantities by factories, which, furthermore, are often localized. Concentration also facilitates grading. This is due to the fact that grading is best performed on a large scale; consequently, products produced on a small scale must be brought together in large quantities before they can be satisfactorily graded. As a result of these conditions collection at local producers' shipping points, and sale to, or through, concen-

[14] The B. F. Goodrich Rubber Co., *A Wonder Book of Rubber* (1917), p. 27.

[15] See pp. 39–40.

trating middlemen at central markets, are important steps in marketing most raw materials.

The Importance of Middlemen.—As a rule the manufacturer does not find it to his advantage to buy from producers, or even from producers' local markets.[16] As has been shown, this is on account of the fact that direct purchase would involve the expensive process of buying by inspection or in bulk rather than by grade. Or it may necessitate the purchase of many more products than he could use. In this case the manufacturer would be forced to market the surplus for which he had no use. If he did not care to purchase products unsuited to his needs the manufacturer would have to keep in touch with many producers in order to procure a sufficient and suitable supply. To operate in any of the ways suggested would be laborious, expensive, and unsatisfactory to the manufacturer, as well as to the grower or local dealer of whom he purchased. Thus we find, for example, with country hides:

> "Each tannery, however, as a rule, specializes in certain kinds of leather, and consequently must have uniformity in its supply of hides and skins. Since the tanner is not in a position to handle all kinds and classes of these materials, some central collecting and classifying agency is necessary." [17]

The Broker and the Merchant.—The broker and the merchant render important assistance to the manufacturer. It is their office to know the market. They must know not merely prices and general conditions of demand and supply, but what qualities of product particular manufacturers desire. They must know, too, where these can be secured, and in the case of the merchants, they must themselves procure them, sometimes before they are demanded or needed by the

[16] This point is discussed on pp. 39–42.

[17] United States Department of Agriculture, Farmers' Bulletin No. 1055, *Country Hides and Skins, Skinning, Curing and Marketing* (1919), p. 46.

manufacturer.[18] The middleman frequently buys by inspection, grades the product, and then sells to the manufacturer the exact qualities he desires. This sale to the manufacturer is frequently made by description, although final payment may be made only after the product has been inspected. In other cases the sale to the manufacturer is made only after he has inspected a sample of the commodity.

Even the larger packers purchasing, as they do, thousands of head of live stock daily do not purchase directly from the grower, or even from the country shipper to any great extent, but depend mainly upon the commission men who operate in the stockyards in the central markets. Large rubber factories, likewise, use brokers. And although they have their own buying organizations through which they purchase at the plantation large quantities of the rubber which they use, they obtain the greater part of their supply from middlemen at the great local points of concentration, such as Singapore and Pará, and of importers or brokers at the European auctions or in the New York rubber market.[19] Enormous quantities of raw cotton for the use of the mills which produce fabric for use in making automobile tires and other products, are bought by the tire manufacturers themselves. But it is purchased almost entirely of the middlemen in the raw cotton markets. And some of the industries using the products of

[18] "The functions of the eastern wool merchant, so far as the domestic wools are concerned, resolve themselves into two main tasks. The first is the purchase of large blocks of high-grade 'territory' wools, and the purchase or marketing on commission of numerous small lots of medium or low-grade 'fleece' wools. The second task is the assembling of these wools, grading them, and storing them in lofts at the chief buying centers for eastern mills, ready for purchase in graded lots for delivering in quantities and at prices to suit their manufacturing customers."—Paul T. Cherington, *The Wool Industry* (1916), p. 64.

[19] "Only the largest manufacturers do any direct buying. The market is so changeable and its operation requires so much capital that manufacturers have found it cheaper to buy through dealers [merchants] and brokers."—The B. F. Goodrich Rubber Co., *A Wonder Book of Rubber* (1917), p. 26.

the extractive industries buy through brokers, and selling agents. This is true with regard to much of the copper, lead, zinc, clay for pottery, and lumber which is purchased by manufacturers. Some iron ore is likewise purchased through brokers.

The Need for a Continuous and Assured Supply of Raw Materials.—But the manufacturer not only wants particular qualities or grades; he must be assured of a ready supply. Modern manufacturing involves such large fixed investments and the morale of the employees depends so much on regular and permanent employment that business men endeavor to operate their plants continuously. This is true even when the consumption or sale of their product is highly seasonal. And of even greater importance is the need for manufacturers to meet their own contracts for delivery and to be prepared to deliver products as their own market demands.

Methods of Assuring a Supply of Raw Materials.—There are four important means by which manufacturers may be assured of their supply of raw materials at a reasonable price:

(1) They may make a series of purchases to meet more or less immediate and specific needs, depending on knowledge of the market and the good will of supply houses toward them to make the supply continuous.
(2) They may contract for deliveries of materials in sufficient quantities to meet their needs for a considerable period of time.
(3) They may buy a supply sufficient to cover a large part or even the entire amount of the season's requirements.
(4) They may control the source of supply through ownership, lease, or contract.

(1) **Under Common Conditions.**—Most manufacturers purchase a part or all of their stocks as needed from day to day, week to week, or month to month. The amount purchased at any one time is governed by such questions as quantity

discounts, datings, transportation conditions, storage space, and financing. Such manufacturers depend for a continuous supply upon purchases in the open market as the need appears, or on contracts for delivery in the immediate future. They rely for the success of this policy upon their knowledge of the market on the one hand and on the good will of the supply houses on the other. Meat packers depend on making purchases of live stock from day to day at the stockyards, and manufacturers of corn products buy largely upon the cash corn market. Many manufacturers who buy important raw materials by other methods secure supplies for their power plant, factory, and office in this manner.

The good will of supply houses is important to those who buy in this way. "Taking care of one's customers" plays an important rôle in any market, and this is equally true in transactions involving raw materials. A manufacturer who has the good will of those from whom he buys, whether producer, broker, or merchant, and who buys of the best houses without dividing his purchases among too many of them, is likely to find that in times of threatened shortage his supplier will live up to his contracts, give him warnings of advances so that he may stock up, or in case of actual shortage see to it that he is kept stocked with necessary materials.[29] It is in such times that the good purchasing agent is cared for. If he has antagonized his suppliers by dishonest or despicable methods, if he has gained their ill will through unfair treatment, he is sure to suffer in times of shortage. On the other hand, if he has gained their good will, he may not only receive his goods in sufficient quantities but they may even refuse to exact the "pound of flesh" which the market would warrant.

The great majority of raw materials are purchased in this manner, i. e., on the spot market, or through contracts for delivery in the near future. To a very large degree purchases of each class are made through middlemen. The manufacturer

[29] A. E. Swanson, *op. cit.*, pp. 616–617.

depends upon the middlemen to seek out sources, to purchase supplies in advance of actual demand, to grade them, and to have them ready for use as needed. The great staple agricultural products in particular are bought chiefly of middlemen, either directly of central market merchants, or through functional dealers from these merchants or from local shippers. The manufacturing purchasers of wheat, corn, and other cereals, cotton and wool, and live stock, are all chiefly dependent upon the foresight of dealers for their supplies of raw materials.

An adequate supply of raw materials often assumes such importance that the manufacturer is unwilling to place reliance on his knowledge of the market or on the good will of supply houses. In such cases he may contract for the future delivery of important materials, he may buy in advance a sufficient supply to cover a considerable portion of time, or he may actually gain control of a source of supply. Each succeeding method gives more certainty than the preceding that the goods can be procured as needed.

(2) Contracts for Future Delivery.—The contract for the future delivery of important materials is, together with purchase in the open market or on short time contract, the means used by the average manufacturer in securing raw materials and supplies. Which is used in greatest degree depends on the practice of the trade, the estimate of market conditions, and the scarcity of the product. Flour mills, for example, can buy wheat in the open market, but they often purchase for future delivery, so as to protect themselves against advances in the price of wheat which may eliminate their profit on flour which has been sold on the basis of lower-priced grain.[21] Semi-manufactured production goods, such as automobile parts and accessories, are also commonly contracted for in advance.

Contracts for running delivery are also common. Crude petroleum is sometimes bought by refining companies under

[21] See pp. 368–369.

contracts running for a number of years, and so almost amounts to the control of the source.[22] Coal is often bought in this manner.

"Contracts are generally made (1) for a specified quantity to be delivered over a stated period and at an agreed rate per day, week, or month; (2) for a stated quantity per week or month for an indefinite period; (3) for the requirements of the consumer; or (4) for the output of the mine. . . . Contracts specifying a definite period of time usually cover a year . . . sometimes . . . 5, 10, or even 20 years or more." [23]

Sugar factories make annual contracts with farmers, and sometimes contract with them to grow beets on a certain number of acres each year, for from three to five years. The contract binds the farmer to produce under the supervision of the sugar company's agriculturist and binds the company to take the beets at stipulated base prices, the actual price varying with the quality.[24]

(3) Purchase of the Season's Supply in Advance.—The supply of raw materials often assumes such importance, however, that the manufacturer is unwilling to place reliance on contracts, knowledge of the market, or the good will of supply houses. And for such, to buy a sufficient supply far in advance of the actual need for processing is often the best solution of the problem of supply. It is true that outright purchase in advance of need and contracts for future delivery commonly serve the same end. But the purchase and storage of goods

[22] *Report of the Federal Trade Commission on the Petroleum Industry of Wyoming* (1921), pp. 36–37.

[23] C. E. Lesher, *Prices of Coal and Coke,* War Industries Board, Price Bul. No. 35 (1919), pp. 18–19.

[24] For a complete contract see George K. Holmes, *Systems of Marketing Farm Products and Demand for Such Products at Trade Centers* (1913), Report No. 98, U. S. Department of Agriculture, pp. 151–2. This report discusses the types of sale prevalent with most agricultural products, and although now several years old it is still valuable. See also Federal Trade Commission, *Report on the Beet Sugar Industry in the United States* (1917), pp. 153–163.

is sometimes made necessary because supply houses will not contract for future delivery. Another important reason is that contracts for future delivery do not always assure delivery. The seller may be unable to procure the goods or he may even refuse, directly or indirectly, to deliver. In times of shortage contracts are frequently cancelled, changed, and ignored.

Cotton and woolen mills usually purchase their supplies of raw cotton and raw wool considerably in advance of their needs. The manufacturers of clothing who use the product of the cloth mills likewise purchase in advance of immediate needs. In times of shortage, or of threatened shortage, manufacturers often protect themselves in this way. When they have orders for future delivery they may also stock materials in advance, so as to avoid buying at a later date when prices may have advanced, but after their finished product has been sold on the basis of a lower price. In such cases the losses that would result from an increased price for an important raw material, or even from the complete failure to procure it, might prove greater than the added cost and inconvenience of carrying a stock in excess of immediate needs.

A further reason for carrying larger stocks than current processing demands arises out of quantity prices and carload freight rates. Many products are sold at lower prices when purchased in quantities, and carload freight rates are usually much lower than less-than-carload rates. A final reason for stocking in advance is speculative in its nature—the feeling that a low point in the market has been reached, and consequently that a speculative profit will be netted from stocking in advance of current needs. Although this reason sometimes affects the buying policy it is less important than the other causes which have been mentioned.

Disadvantages of advance contracting and purchase.—These policies of contracting for future delivery and of stocking goods in advance have grave disadvantages. One may not know what quantities of raw material will be needed be-

cause he cannot judge the market so far in the future, or the market may change and the supply prove to be too great. Even when contracts for the sale of the finished products have been made, if prices fall or the market for the finished product declines, those who would normally buy the manufacturer's merchandise may find themselves unable or unwilling to buy at the contract price. Contracts amounting to millions of dollars are cancelled each year, and in times of falling prices this practice becomes a widespread evil. A manufacturer who has purchased or contracted for his supplies will face grave difficulties under these conditions. Again, the price paid may prove to be too high, or the quality bought may not be that which the market demands. Often, too, it is impossible to buy a large supply without bidding up the price to a point which would prove a handicap in price competition in the sale of the final product. Furthermore, important problems of storage, financing, and risk have also to be solved when this method is used.

Many raw materials are difficult to store. Soft coal is liable to spontaneous combustion, corn to heat, wheat to bin-burn. Insurance is often costly, and expensive warehouses may be required. If storage space has to be provided especially for this purpose, it is likely to be used at less than capacity through most of the year. But of greater importance is the necessity for tying up funds in surplus supplies. It requires large capital or the ability to borrow in large amounts. Many manufacturers, however, have neither funds nor credit in sufficient amount, and banks are loath to loan on raw materials purchased far in advance of manufacture and not readily salable in case of a declining market, unless some adequate means of hedging is available.[25] The risk, likewise, of loss from deterioration, or a falling or slacking market, deters manufacturers themselves from this course. For as we have seen, even though they may have contracted far in advance

[25] Many means of hedging are, of course, available. Where this is possible such risks are in part, at least, eliminated. See Chap. XVII.

for the sale of their product, the contract may be cancelled, or the purchaser, because of the declining market, may be unable to pay. It is, nevertheless, a method commonly used, one which is frequently adopted in normal times, and one which is widely used in times of a shortage in the supply of materials, or in times of abnormal demand for finished products.[26]

Protection through hedging.—The problems involved in advance purchasing are sometimes shifted, in part, by means of the future market for the raw material. Copeland describes the importance of hedging in relation to advance purchases in the cotton industry:

"The mills found it advantageous in the first half of the nineteenth century to buy their cotton early in order to make sure of their supply and also to have a basis for price quotations. With the cotton in their own warehouse they could quote prices for cloth with less risk of loss. The development of organized speculation, with its steadying effect on prices and opportunity for hedging, has made this factor less potent at the present time." [27]

That is, as the future market for raw cotton has developed, it has become possible for manufacturers to substitute, through hedging, a contract to deliver materials for an actual advance purchase or for the purchase of current supplies as needed from time to time. The need for advance purchase continues, nevertheless, even in this case, for,

"the manufacturers of the highest grades ordinarily buy at an early date a larger proportion of their total supply than those using ordinary staple. The former wish to exercise a wider choice in their selection and also to make sure of an adequate quantity. The demand for long staple cotton is frequently so

[26] Even firms which stock only for current needs usually have on hand a larger supply of materials than is absolutely necessary, chiefly because experience has shown that they must not run too close to the line lest deliveries fail.

[27] M. T. Copeland, *The Cotton Manufacturing Industry of the United States,* p. 182.

great that the manufacturer who delays is unable to obtain the quality which he desires, or he can secure it only at a very high price." [28]

In explaining the presence of local grain elevators owned by milling companies, the Federal Trade Commission shows that considerations which are similar to those found in the cotton industry operate to some extent in the flour trade, and have caused some of the large milling companies to own and operate lines of local elevators, in order to insure a sufficient supply of grain of the requisite quality.[29]

(4) The Control of Sources of Supply.—Some manufacturers who are large and financially powerful go even further in the endeavor to secure a suitable supply of important materials and establish a close business relationship with, or control over, important sources of supply. This is particularly true when the supply is limited or is so located that it can be easily monopolized either by a competitor or the manufacturer himself. Monopolization by the competitor might leave the manufacturer with no materials, or force him to pay an exorbitant price for them. If he gains control himself, he is assured of a supply and may, of course, squeeze less fortunate competitors. A desire to monopolize the supply or to gain the distributive or the productive economies of integration are often important considerations; they may in fact sometimes be of the most importance. But the necessity of an assured supply of raw materials of the proper grade, and at a reasonable price is usually predominant.

The ownership of clay beds by brick and tile plants;[30] the ownership and leasing of ore lands by large steel corporations, and the integration between various "steps" in that in-

[28] M. T. Copeland, *op. cit.*, p. 180.
[29] *Report of the Federal Trade Commission on the Grain Trade,* Vol. I, *Country Grain Marketing* (Sept. 15, 1920), pp. 78–9.
[30] Heinrich Ries and Henry Leighton, *History of the Clay-Working Industry in the United States* (1909), pp. 56–7.

dustry; the ownership and operation of a steel mill and of a railroad by Mr. Ford—are all examples in point.[31]

"The International Harvester Co., either directly or through subsidiary companies, manufactures or controls the manufacture of practically all the raw mateials it uses with the exception of paints. It owns iron ore and coal properties and operates iron, steel, and coke plants. One of its subsidiaries, the Wisconsin Lumber Co., owns extensive timber property and produces pole stock and other materials. The Harvester Co. has also special facilities for obtaining from the Philippine Islands and Yucatan Manila and sisal fiber used in the manufacture of binder twine. In addition, the company owns and operates several small industrial railroads. Through the foregoing and other auxiliary operations the International Harvester Co. is able to obtain most of its raw materials at production costs. This gives the company a large advantage, as few of the other companies control their raw materials." [32]

It is not merely an "advantage" for the Harvester Company to obtain new materials at production costs, but it would seem that it is a necessity for such an immense organization to be assured of a constant supply of essential raw materials. The importance of such assurance is clearly shown in the history of the organization of the United States Steel Corporation. The competing groups integrated various steps in the industry by purchase and lease and through new building operations. Their chief aims appeared to be to assure a market for their finished product and a source of supply of their raw materials. Similar motives caused integration among the "independents."

[31] If we may consider material to be carried as a raw material to railroads it is interesting to know that some of the railroads in the anthracite coal region, such as the Reading, first gained control of the mines for the purpose of assuring themselves of the coal traffic. See Eliot Jones, *The Anthracite Coal Combination in the United States* (1914), pp. 29 ff.

[32] *Report of the Federal Trade Commission on the Causes of High Prices of Farm Implements* (May 4, 1920), p. 49.

"The great firm of Jones and Laughlin, at Pittsburgh, makers of structural steel from materials of their own mining, are as independent as the Trust, into which they could not be induced to go. The Lackawanna Steel Company has a magnificent, new, and thoroughly modern plant at Buffalo on the shore of Lake Erie, where the ore steamer can discharge its cargo at the foot of the blast furnace, from which the heated metal starts on its journey through the plant and never cools until it emerges a steel rail—the specialty of the company, made from ore of its own mining, smelted with fuel of its own digging. The Pennsylvania Steel Company, with works on tide water at Baltimore, has ore lands conveniently situated in Cuba, and makes a specialty of bridge work and steel buildings. The Bethlehem Steel Company has ore lands in Cuba, and the leading steel maker of the South, the Tennessee Coal and Iron Company, like many others, digs its own raw materials. The financial flurry of November, 1907, enabled the United States Steel Corporation to buy the latter—a most suggestive episode." [33]

When direct control over sources of supply is not feasible other means may be used. The large refiners of oil are said to obtain very great advantages from their ownership of pipe lines. Pipe line transportation of petroleum is much cheaper than transportation by tank cars, and those companies which are large enough to own pipe lines are enabled to get their supplies directly from the wells at the lowest possible cost.[34]

[33] J. Russel Smith, *The Story of Iron and Steel* (1908), pp. 146–7.

[34] "It is remarkable that all through the discussion of Standard power and success there is no mention of a monopoly of production. The so-called anthracite-coal trust owns or controls many of the mines, and the steel corporation controls the richest of the iron-ore deposits. But the 'Oil Trust,' greater than either, strange as it may seem, has never made any concerted effort to secure general possession of the oil wells. In fact, the Standard had been thoroughly established in its monopoly of the refining business long before it entered this field of activity at all. . . .

. . . . . .

"The reasons for this apparently contradictory policy of struggling to dominate the refining end of the business and neglecting the sources of the crude material are clear enough, and show the wisdom of the Standard management. If it is so desired, the Standard could undoubt-

It is claimed with much show of reasonableness that the chief purpose of the packers' control of the stockyards has not been used to force prices down, or to keep out competitors through collusive buying, but to supply needed facilities for handling live stock on its arrival at market, as a means of assuring them of a continuous supply of raw materials.[35]

Summary.—It appears then, in summary, that manufacturers with their large investments in plant and equipment and with a clientele of customers whose patronage has been procured, in many cases, at great cost and after a long struggle, must be assured of an adequate supply of materials. There are four important means of insuring this supply. First, current purchases may be made in the open market. Second, contracts may be made for future delivery. Third, large supplies may be purchased in advance of actual needs. And, finally, the sources of supply may be owned or controlled.

edly acquire the same degree of control over production as it enjoys over refining and selling, but monopoly ownership of a natural resource would be likely to raise a terrific storm of the most bitter public opposition. By following its present course and posing merely as a buyer and seller of oil, with nothing to prevent the entrance of competitors into the field, the Standard points to its superior ability, efficiency, and economy as a sole basis of its success. All the time, however, it enjoys in fact a very effective control of production through its ownership of the only efficient means of transportation. The element of risk in production has also been an important factor in influencing the Standard policy. By leaving all the risks of prospecting, drilling, and operating to individual producers, the Standard runs none of the many chances of heavy loss on unprofitable ventures. When everything is considered, owning the refineries and pipe lines is far more profitable and every whit as effective as owning the wells."—W. S. Tower, *The Story of Oil* (1909), pp. 194–196. This was written before the "dissolution" of the Standard Oil "trust," but it illustrates the point just as well. See also the *Report of the Federal Trade Commission on the Price of Gasoline in 1915.*

[35] For both sides of the controversy concerning packer control of the yards see the *Report of the Federal Trade Commission on the Meat-Packing Industry,* 5 vols., and the replies of Swift and Company thereto (published by Swift and Co.).

In conclusion it should be stated that a firm need not, and usually does not, confine itself to any one method. It is often a wise policy to divide sources and to utilize various methods. In doing this the manufacturer is enabled to keep more than one source of supply open.[36] Market conditions vary from time to time and methods must be changed to correspond.

[36] This becomes particularly important with manufacturers who import from foreign countries such products as the better qualities of wool and cotton, rubber, and certain chemicals and minerals. War, a breakdown in transportation, or an unfavorable exchange, may make a particular source unavailable or unattractive.

CHAPTER VII

MARKETING MANUFACTURED PRODUCTS

I

Preceding chapters have dealt in some detail with the conditions which are peculiar to the marketing of raw materials and farm products. It is the purpose of the present chapter to point out those considerations most important to an understanding of the marketing of manufactured products.

Control of the Product.—One characteristic in particular distinguishes manufactured products from farm products: that is, the ability of the producer to control the quality of his product—to standardize products and methods of production so that it can be told in advance, within narrow limits, just what each successive product will be like. It will be remembered that some of the problems involved in marketing raw materials grow out of the lack of such standardization, and that one cause for the demand for standardized materials is the desire of the manufacturer to make a standardized product. The expensive processes of grading and of inspection are reduced to a minimum with most manufactured products, and consequently, sale by sample and by description is made easier.

Faith in the Producer.—An additional condition of importance to making easy the sale of manufactured products by sample and description is the existence of a large degree of faith in the integrity of the manufacturer. The average manufacturer, operating on a large scale, and often branding his product, has so large a stake in his good will that it is very definitely to his interest to have the run of products like the

sample or description, and like the products bearing his brand, which consumers have purchased in the past and which, because of their satisfaction, they are, from time to time, buying again. This desire to create and keep good will causes the manufacturer to wish to produce standardized goods, and the conditions of production in manufacture make it possible.

Control of Volume.—This control of the conditions of production, in addition to enabling the manufacturer to control the quality of his product, permits him to control its quantity. He can determine far in advance of actual production just what quantity he intends to produce. He can thus in large degree plan his production, marketing, and financing in advance, and he can modify the quality and change the volume of production as the needs of the market dictate.

Large Scale Production.—Large scale production is another characteristic of manufactured products which has important effects on the methods of their marketing. Some of these effects of large scale production were described in Chapter II, where the importance of demand creation to the manufacturer was discussed. They are briefly: (1) the necessity of having a large market for the individual manufacturer's product; (2) the desire for enlarging the market in order to take advantage of any economies of production or of distribution which would result from an even larger production; (3) the importance of operating the plant continuously in order to meet fixed expenses, and to keep the organization together and functioning; and, finally, (4) the fact that the development of large scale production has brought about in many industries a condition of almost constant potential overproduction.

Tendency toward Overproduction.—Whereas agriculture is predominantly a small scale industry which produces primarily staple products, manufacture is predominantly a large scale industry producing both staples and specialties, and with a constant tendency toward overproduction in individual lines. With nearly all products, whether the scale of produc-

tion be large or small, the normal situation in the manufacturers' market is a condition of keen competition with actual or potential plant capacity in excess of existing demand.[1] This situation leads to two kinds of endeavor on the part of the manufacturer: one to reduce costs of production and marketing or to improve the product or service; the other to achieve greater control over the market, by means of demand creation, the control of the supply (monopoly), or through combinations with competitors. Emphasis on cost and quality and attempts at combination or monopoly are of great importance to manufacturers of goods bought on buyers' specifications, particularly materials for further manufacture, such as cotton in the grey, pig iron, coke, and lumber. Such emphasis is also important with many kinds of equipment and supplies, including the general run of tools and machinery. Demand creation plays the larger part with new products of all kinds, with new brands of old products sold to consumers, and, in fact, with most products sold to ultimate consumers.

Need for Demand Creation.—There are among manufactured products a great number of specialties—new products to gratify old needs, and new products to meet hitherto unrealized needs and created needs. Consequently, the need for demand creation is felt keenly in a large part of the manufacturing field. With new products it is necessary to acquaint prospective customers with the product and to create a demand. As the product is unknown, exchange can take place only after the seller has done this, and the impetus

[1] It should not be inferred from this that agriculture is free from overproduction. We mean by "overproduction" that so many goods of a given kind have been produced that they cannot be sold at a price which will cover the cost of production and leave a normal rate of profit to the producer. This condition is frequently faced by large numbers of growers of farm products. Nevertheless, farmers are producing, as a rule, staple commodities having a relatively inelastic demand. Furthermore, their plant (farm) can be more readily adapted to meet changing conditions of demand.

to exchange must come from him. Furthermore, whether the products be new or old, goods sold to ultimate consumers are sold to those who are not skilled in buying and who will not, except with the larger and more important purchases, spend much time in their buying. With such customers, skillful selling effort can achieve far more than is possible when the goods are bought in large quantities by skilled buyers capable of determining characteristics and qualities for themselves.

Changing Conditions.—The desire of the manufacturer to control his ultimate market and to keep in touch with all the conditions which may affect the demand for his product has produced a rather general tendency to eliminate middlemen, or at least to take over a part, or all, of their selling function, and to control their other operations in the interest of individual manufacturers. Developments in transportation and communication have made this both more necessary and more possible of accomplishment. In this connection one of the greatest disorganizing factors in the market has been advertising: the introduction of which has taken place rapidly on a national scale, as Americans have become a national magazine and newspaper reading public. More than any other one agency advertising has enabled the manufacturer to appeal directly to consumers over the heads of middlemen, and in consequence has helped to render obsolete the established methods of distribution.

But the need for demand creation has not been alone in causing changes in the market of the manufacturer. The varying size of producing units has also had an effect. There remain many small domestic producers, and contrasted with them, and often competing with them, there have grown up giant plants, often combined with other great plants, and there are all sizes of plants and degrees of combination between these extremes. Now although it may be obviously impossible for small producers to market their product directly, it is frequently possible for the great plant with a large volume

of business and enormous financial resources to do so, or if that is not feasible it is at least possible for it to exercise a large degree of control over its distributors. And, on the other hand, whereas some small factories may be able to market their entire output in the immediate vicinity, large plants have to seek a wider market. Under such conditions many diverse methods of distribution have arisen and are found operating side by side.

Integration between Manufacturers.—The development of large scale production has led not only to direct marketing by manufacturers, but also to integration between manufacturers. In Chapter VI it was shown that plants sometimes gain control of other plants supplying important production goods. It is likewise true that, as in the steel industry and the meat packing industry, manufacturers of the cruder products have gained control of plants utilizing their output as production materials. In this way they are assured of a market and eventually they may control all the steps involved in the production of the finished products. In such cases the product of one step in the industry becomes the production material of the next. No true marketing takes place, since the two steps are under the same management. The transfer of title is largely an accounting affair, and not until the product has passed the final stage and is ready for the general market, is real sales effort or real buying effort exerted.

Wholesale Markets.—There is nothing in the marketing of manufactured products to compare with the growers' local market. In consequence, the need for physical concentration of products from such markets is missing. When sales are made the goods can usually be shipped directly from the factory without the need for an accumulation from scattered sources of great stocks at a central market. In some trades, however, there is a function which is performed by middlemen that is in some measure comparable to the work of the commission men of the agricultural market. This happens

when many of the manufacturers are operating on a relatively small scale, producing material for further manufacture —as in the textile trades—or turning out but a few of a large line of products—as in the hardware and grocery field. In these trades there are functional middlemen of exchange variously called "commission men," "selling agents," "brokers," or "manufacturer's agents," who make it their business to sell the product of a given factory to manufacturers or to other middlemen. Such middlemen are common in the textile, hardware, and grocery business.[2]

"A most important effect of the prevalence of small scattered establishments on the method of distribution has been the resort to the broker of canned goods. The small size of the ordinary cannery has made the establishment of an expensive selling force impracticable, and the distance of the canners from the jobbers, who are located in large cities, has necessitated recourse to a brokerage or selling agency in the vicinity of the jobber."[3]

Dealers of this kind frequently contract to sell the product of several factories, and are thus enabled to sell in larger quantities than could any of the individual manufacturers they represent. It is also likely that very often the economies of marketing on a large scale are achieved in this way. The activity of these dealers is evidently somewhat similar to that of the concentrating middlemen of the agricultural market.

Although the concentrating efforts of the central market for farm products are not duplicated in the manufacturers' market, the assembly efforts of the jobbing market are paralleled. This is, of course, particularly true of products for personal consumption. But it is also true, in a considerable degree, of manufactured products—such as machine parts—which are sold to other manufacturers as production materials, as well as of equipment and supplies sold to manu-

[2] Their efforts will be more fully described in Chap. IX.

[3] *Report of the Federal Trade Commission on Canned Food: General Report and Canned Vegetables and Fruits* (1918), p. 2.

facturers, public utilities, farmers, and merchandisers.[4] Much the same considerations as were found in the wholesaling of agricultural products prevail here. The economy of shipping as near to the market as possible in carload lots tends naturally to develop dealers who specialize in purchasing large lots to break up into the smaller lots demanded by the trade. Such dealers center in larger cities because of the larger number of consumers located therein and because of the greater facilities that exist for receiving and shipping. If manufacturers prefer to sell directly to retailers or other buyers their sales branches or central offices will center at such points for these same reasons. And if buyers prefer to buy "direct" they will send their buyers to these markets, because there they will be in touch with large quantites and varieties of supplies and will benefit most from the competition of supply houses.[5]

Central Wholesale Markets.—Some cities are peculiarly well located to become great wholesale markets. They are

[4] "It is estimated that of the standard line of machine tools possibly 80 to 85 per cent is sold through dealers and the balance by manufacturers. Direct sales occur more largely in the case of new tools or devices, the manufacturer introducing the same, and then getting the dealers to stock the item. An increasing tendency toward the distribution of both mill supplies and tools through dealers is noted."—"Terms of Sale in the Principal Industries," *Federal Reserve Bulletin* (Feb., 1920), p. 155.

[5] Markets for individual commodities are often located in a particular district of a city.

"The cause for this striking segregation of the market is twofold: on the one hand it is due to unusual transportation facilities at one part of the district, and upon the other to the increasing rents at a center, driving factories to the rim and leaving the heart to offices which take up little space. These central places too offer advantages for buyers to congregate; aside from railway or hotel accommodations, it is easier for buyers to visit a series of warerooms close together than it is to travel from mill to mill, although the mills may all be in one district. Wherever an industry has become sufficiently developed in one locality to bring forth a central market for buying and selling, the advantages of the localization are greatly increased, since a well-defined place of

situated at the center of large buying areas and have superior transportation facilities. Because of their location at natural trade centers, on inland waterways or on favorable harbors at a convenient point between producing and consuming areas, they are naturally fitted to become great trading centers. With the development of railroads these natural advantages have been perpetuated; for railroads have centered there and competing among themselves and with the water transportation have brought improved transport service and low rates. Such factors were found to be determining in the location of central markets for farm products. In the case of manufacturers a further reason for the creation of such large markets is the fact that these cities have generally become large manufacturing centers. Since they serve as distributing points for certain essential raw materials, since they afford a market for finished products, and since they afford supplies of labor and capital, as well as adequate transport, they become large manufacturing centers. These cities serve, consequently, not only as assembling points for products from distant factories, but also as dispersing points for products manufactured in the surrounding district.

New York is thought of primarily as a commercial city. Its harbor and its means of reaching an important hinterland by rail and water have developed it into an important import and export market for manufacturers as well as for raw materials and foods. But New York is the greatest manufacturing center in the country. Chicago is not only an important central market for farm products, but also a great center for wholesaling finished products of all kinds, and a leading manufacturing center. St. Louis, with adequate transport facilities to the vast agricultural districts to the west and south, early became the greatest distributing center in the country for hardware products. Kansas City in a

bargain and sale secures more trade than would a number of scattered offices."—Malcolm Keir, *Manufacturing Industries in America* (1920), p. 78.

similar location became the foremost distributing point for agricultural implements and machinery.

But though our largest cities are the great central distributing points for manufacturers, they have gradually lost their relative importance. With the growth in the density of population and with the gradual westward movement of population and of manufacture, markets have developed in many smaller cities to serve as local distributing points for the supply of surrounding areas.

The Sale of Manufactures.—Competition among manufacturers is different and the market is not so well unified as is the market for farm products. With the latter, competition often works itself out in organized exchanges, and to a less degree, through auction companies. But the manufacturers' market for few products is so unified. There are practically no exchanges. Buying and selling of products at wholesale tends to center in the wholesale markets which have been described, but purchases and sales are made as the result of private bargaining rather than through open trading on exchanges or auctions. No rules are laid down by a central body, as in the case of the organized exchanges, and there are no centralized offerings through a single medium as with the auction company. Rather, there exist in the central markets the offices of manufacturers, wholesalers, and brokers, to which buyers come, and from which the sales efforts of vendors radiate.

Neither is the sale of manufactured goods closely confined to a price basis. But here one must generalize with care. Semi-manufactured goods in particular are likely to be sold on a price basis, resting on sellers' grades or buyers' specifications. But the characteristics of the great bulk of consumers' goods cannot be readily determined or standardized, and individual consumers and classes of consumers react in different ways to the same characteristics. Consequently, more selling and shopping is found in their sale. Even when actual resale prices are fixed, as with certain products ad-

vertised to consumers, such as Victrolas, Kodaks, and Arrow collars, bargaining is really carried on through the use of advertising and salesmen. For an endeavor is made to convince consumers or dealers that they will get the most for their money if they purchase a particular product.

II

Classes of Manufactured Goods.—The problems involved in marketing manufactured products differ with the purposes for which they are used and the type of market for which they are produced. There are: three important classes of manufactured goods which closely correspond to those described in Chapter I. These are: (1) semi-manufactured products which must be further processed before they are ready for their final market; (2) equipment and supplies for factories, mercantile establishments, and such service institutions as banks and public utilities; (3) finished products ready for final consumption by industries and institutions, or for personal consumption by individuals.

Semi-manufactured Products.—Semi-manufactured products are production materials for other factories, and as such their marketing bears a close resemblance to the marketing of raw materials discussed in Chapter VI. A chief problem with these goods is not only to manufacture a product of a particular determinable quality, which will meet the requirements and specifications of the market, but also to make this product at a cost which is low enough to enable the producer to compete on a price basis and still net a profit. It is further necessary to give good service to customers. Here, as with raw materials, the need of the customer to be assured of a product of uniform quality supplied as he requires it assumes large importance. The ability of an individual manufacturer to meet this need, and the fact that he does, are important considerations in procuring and maintaining patronage. Again, as with raw materials, so here, factories

depending upon such manufacturers for their materials frequently find it to their advantage to own and operate, to control, or to have close business relations with such supplying industries in order that a continuous supply may be assured. Consequently, in such industries there is frequently a large degree of integration of manufacturing steps.

The problems of marketing these production goods are relatively simple. Little or no demand can be created other than through the rendering of good service and the ability to offer lower prices than competitors. The chief problems are, consequently, problems of production and not of selling. Nevertheless, these very facts may make it desirable for the producers of these goods to control the further processes of their industry in order to insure themselves a permanent market. Integration, then, may result either from the desire of the buying industry to be assured of a supply or from the desire of the selling industry to be assured of a market. Little demand can be created because the goods are usually bought on specification, and on delivery they are sampled in order to determine whether they conform thereto. That is, the buyer decides for himself the characteristics of the product. He does not need to be told.

Another important characteristic of semi-manufactured goods is the fact that they are usually bought on a large scale by a relatively small number of buyers. The difficulties, consequently, in finding the possible buyers and the problems of splitting large lots into suitable quantities are not great. The marketing machinery is simple.

Equipment and Supplies.—Equipment and supplies, such as machinery, oils, paper, cloth, and office equipment, which are bought for use in industry and commerce, have some of the characteristics of semi-manufactured products and some of those of finished products for personal consumption. With them, measurable physical characteristics are important, and to the extent that these predominate demand creation is unimportant and cost and service are the important considera-

tions. But the mere physical characteristics of the materials from which the product is made are often of less importance than the performance of the article in use. Here there is frequently less opportunity to test out the article with any great degree of accuracy, except as it is tested out in operation over a period of time. Future performance is hard to determine in advance and opinions may well differ on the importance of particular effects and on the manner in which different products produce them. These conditions leave room for sales effort.

With heavy machinery the weight and strength of a heavy and expensive frame must be balanced against a lighter, less expensive frame, but one which may, nevertheless, outlast the demand for the machine. Particularly in industries in which processes are changing rapidly must such characteristics be balanced. There may not even be agreement on just how heavy or of just what materials a particular machine or its parts must be made in order to stand the strain of everyday use. Machines may be built, furthermore, to utilize varying degrees of labor in the performance of the same mechanical operation. Here are opportunities for convincing sales effort on the part of competing manufacturers. Office furniture and equipment may be of oak or mahogany, with light and dark finishes; they may be of steel or wood, light or heavy in structure. There are also constant innovations in the nature of specialties. It has required the greatest of sales efforts to get business men to install typewriters, adding machines, and telephones; demand has had to be created. Often, too, equipment is bought only occasionally or in small quantities, and, consequently, the care and time may not be used in the effort to get the lowest price for a particular quality that it pays to take with the larger or more frequent purchases. With all such products, then, in varying degrees, the manufacturer must sell on a basis of price and service. But he may also need to utilize definite efforts to sell the quality and characteristics of his product.

Consumption Goods.—The greatest marketing problems are found with finished goods for personal consumption. These are manufactured for sale to the ultimate consumer who usually buys in small quantities. He is not skilled in purchasing, and consequently, must depend to a large degree on the word of the one from whom he buys.[6] Here, then, is a great opportunity for demand creation. Since the ultimate consumer buys a great many different kinds of merchandise in small quantities, it does not pay him to spend any great amount of time in examining the less important qualities of competing products, and he never becomes a skilled buyer or a careful buyer in the same sense as do the purchasers of production materials, equipment and supplies. Furthermore, goods intended for personal consumption satisfy intangible desires and their characteristics are not usually subjected to close examination and measurement. The same physical characteristics appeal to different individuals differently, and to the same individual they may make differing appeals at different times and under different circumstances. Finally, it is in the field of personal consumption that so many new products, to gratify new and often, to the consumer, unknown needs, are found—as well as new or changed products to meet well known wants. In such cases the consumer must be told of the product; demand must be created.

Price and Service.—Price, too, is important. But it is of far less relative importance than in the sale of the other classes of goods. And as between consumer goods it plays a greater part with some than with others. It is more important, for example, in the competitive sale of sugar and flour than it is in the competitive sale of furniture or clothing.

Service is particularly important, and is manifested in a variety of ways.[7] It is, in fact, as far as the purchaser is con-

[6] That is, he must do this until he has thoroughly tried an article himself.

[7] In so far as it relates to selling the final consumer, service will be discussed in the chapters on retailing. In so far as it is of importance with

cerned, a part of the product, a part of the thing which he is purchasing. But as it is not physically a part, it is usually considered a separate item. Indeed, the product and the service rendered in connection with its sale may have to be considered separate elements in determining its exchange, and each be paid for separately.

Production for the Market.—The fact that consumers buy a large variety of products in small quantities, many of them at frequent intervals and without previous notice to the supplier, still further complicates the distribution of consumption goods. Large amounts have to be split into smaller quantities, sometimes at two or more stages in their merchandising. This occurs when staple products, such as groceries, drugs, hardware, and dry goods are sent in large quantities to wholesale distributors, and then are divided into smaller lots which are sent to retail distributors, who finally divide them into the small amounts in which they are purchased by the final consumer.

Because the final consumer does not determine on his purchases very far in advance such goods are said to be "produced for the market," that is, they are produced in advance of actual consumer demand. This fundamental situation is not altered when the manufacturer sells on contracts made in advance of production, for the goods are then held for the market by the wholesale and retail dealers. There is, consequently, a large element of market risk in merchandising consumer goods. Even the manufacturer who contracts with the wholesaler in advance of production, and the wholesaler who contracts with the retailer in advance of the "season," are not thereby entirely freed from this risk. For if the final consumer does not buy in the quantities and at the prices anticipated, contracts may be cancelled or retail buyers may be unable to meet their obligations.

Selling Consumption Goods.—Semi-manufactured products

the manufacturers who sell consumer goods through middlemen, it will be discussed in the chapters immediately following.

and equipment and supplies are exchanged in large units and the sale is frequently consummated directly, or with the assistance of a broker. They are also sometimes handled by wholesale merchants. But finished products for personal consumption are almost uniformly purchased from retail dealers. The manufacturer's immediate selling problem, therefore, is one of selling the retail dealer. Although, as will be shown later, it may in the end prove to be a double problem—i.e., of creating a demand for the product on the part both of the consumer and of the retailer—if the manufacturer is to succeed. But that demand will still, usually, be felt by the manufacturer through the retail store.

In selling to the retailer the manufacturer has the choice of selling to him directly or of utilizing some of the market intermediaries who act as middlemen between manufacturer and retailer. The most important of these are jobbers. But functional middlemen of exchange, such as brokers and commission men, who operate between manufacturers and jobbers or large retail organizations, are also important.

III

Division of Market Work.—There are three basic methods of demand creation: personal solicitation (salesmen), the use of symbols (advertising and correspondence), and samples —either the product in actual use, or samples carried by salesmen. These methods may be used by the manufacturer and, in addition to using these, he may depend upon the assistance of middlemen.

The manufacturer may create a demand for his product with his own efforts,[8] or he may depend upon middlemen to create this market for him. He may also depend in part upon his own efforts and in part upon the efforts of mid-

[8] This is sometimes called "direct selling." Sale by manufacturers directly to retailers without the use of intervening middlemen is also sometimes called "direct selling."

dlemen; utilizing a combination of his own agencies with those of the middleman. He may, in other words, coöperate with the dealers who sell his product and depend upon this combination of efforts to sell his goods.[9] Practically all manufacturers utilize the retailer in the sale of goods for personal consumption, although there are important exceptions, such as the sale of many household utilities, books, and typewriters.

With the problems of physical supply, finance, and risk the manufacturer has the assistance of the basic service industries involved: transportation systems, storage plants, banks, insurance companies. But further than this, other special facilities may have to be supplied. And in his cooperation with these basic service industries he may act alone or he may act with, or through, the same middlemen that are involved in creating a demand for his product. Some of these activities may also be carried on by the final purchaser, rather than by the producer or the dealer. In the sale of most staple products and of many specialties the middlemen of the wholesale market are so important in placing the product in the hands of the retail dealer, that the utilization of such agents is often spoken of as the "orthodox" method of distribution, and any departures from it are considered "irregular."

Channels of Distribution.—The most common channels of distribution for manufactured products ready for personal consumption are:

(1) Sale to consumers
(2) Sale to retail stores
(3) Sale to jobbers, who sell to the retail stores
(4) Sale through functional middlemen of exchange, who sell to the jobbers, who sell to the retail stores.

[9] See Paul Wesley Ivey, "The Manufacturer's Marketing Problem," *Administration*, Vol. I, No. 3 (Mar., 1921), pp. 341-47.

1. Sale to consumers.—The direct sale of products from manufacturer to consumer is the most obvious, and from some points of view the simplest, method of distribution. The cabinet maker and the custom tailor usually produce on order for the ultimate consumer. But this channel of distribution is by no means confined to the custom trade. The products of many large manufacturing organizations are frequently sold directly to the consumer, as some typewriters, books, and kitchen utensils.

Three general means for making sales directly by the manufacturer to the consumer are in use: (1) advertising (the ordinary "mail order" method), (2) salesmen, and (3) retail stores owned by the manufacturer. The first method depends entirely upon advertising and correspondence to make its selling appeal, and physical distribution is made through the usual channels as convenience or necessity dictates, although it may be necessary for the manufacturer to extend credit and to furnish his own warehousing facilities. Many firms do a part of their selling in this way. Some middlemen also utilize this method. Thus jobbing houses which depend upon salesmen to keep their trade and to introduce new products likewise encourage customers to order from them by mail, and some jobbers, such as Butler Brothers and the Baltimore Bargain House, depend primarily on this method. As a method of sale the distinguishing characteristic of mail order selling is the use of some medium of communication other than personal solicitation and personal contact with the product. Obviously, the basic methods of physical distribution will have to be used, although such facilities as are normally furnished by middlemen may have to be provided by the manufacturer.

The second method of direct sale is by the use of salesmen compensated for their services by the manufacturer. In this case sales are made through personal visitation by the manufacturer's representative. The salesmen may, of course,

perform other functions than selling, such as demonstrating the product on its delivery, adjusting difficulties, collecting accounts; but their primary work is to sell. Certain cooking utensils, as well as cash registers, and most typewriters are sold in this way, and very many, perhaps the majority of manufactured goods sold to other manufacturers, as materials or as equipment or supplies, are sold by salesmen. Wherever the size of the normal order and the margin of profit are great enough to warrant the time and expense involved in such solicitation, there is usually a strong preference for this particular kind of direct sale.[10]

Finally, the manufacturer may own his own retail stores. Through them he comes into direct contact with his customers and retails his products to them just as is done in any retail store. Some brands of tobacco products, and some brands of shoes and of clothing are sold in this manner. In so far as bakeshops make their own products, or candy stores their own sweets, this direct method of distribution is practiced. It is by no means usual for a manufacturer to depend entirely on his own stores for his market. His retail stores frequently serve as an experimental means of contact with the consumer, or as an assured market for part of the output, the great bulk of the product being retailed through independent stores.

2. Sale to retail stores.—The addition of a single intermediary, the retailer, who buys the product of the manufacturer and in turn sells it to the consumer, is the distinguishing characteristic of what is sometimes called the manufacturer-retailer-consumer channel of distribution. Although the manufacturer may endeavor to create a consumer demand for his product through salesmen or advertising, the actual sale is here consummated at the retail store. Shoes, men's clothing, and hats are familiar examples of products which are often sold in this manner. Certain large producers of cookies,

[10] See Chap. VIII, on the use of the jobber, and Chap. X, on the conditions favoring direct marketing.

crackers, cakes, confectionery, soaps, and pickles also sell directly to retailers.

3. Sale to jobbers.—The addition of a second middleman, the jobber, who buys of the manufacturer and sells to the retailer, forms what is known as the manufacturer-jobber-retailer-consumer channel of distribution. It is used by probably the larger number of factories producing standardized goods for the ultimate consumer. Such staples as groceries, hardware, drugs, and dry goods are usually sold in this manner. For such it is often called the "orthodox," "regular," or "normal" channel of distribution. This system, unmodified, would mean that the manufacturer would sell to the jobber and that there his control and immediate interest in his product would end; the jobber would sell the next in line, the retailer, and there his control and immediate interest would end; finally, the sale by the retailer to the consumer would complete the distribution of the product. But more and more manufacturers follow their products through all of the steps enumerated, watch carefully the conditions surrounding their sale, and frequently assist from point to point.

By means of advertising and salesmen many manufacturers who sell to jobbers are now exerting considerable influence upon the sale of their product at each point in the channel of distribution where a change of ownership takes place. Through so-called "national" advertising in magazines and by means of bill boards, electric signs, newspapers, and by circulars and direct letters, they endeavor to create a consumer demand. Through advertising and personal salesmanship they endeavor to sell jobbers and retailers. They also try to influence the dealers in their favor by assisting them in their efforts to sell the consumer. Their efforts to sell the consumer assist the retailers to make sales to consumers and the jobbers to sell retailers. And through this means and their other efforts they induce the dealers to supplement these efforts: the retailers, by selling the consumers, and the jobbers,

by selling the retailers. There is thus established a degree of coöperation which is, if successful, of mutual benefit to manufacturer and middleman.

4. Sale through functional middlemen.—A fourth channel of distribution includes another middleman, the selling house, which represents the manufacturer. Such a middleman commonly takes charge of the sale of the manufacturer's product, selling to the jobber or retailer or to other manufacturers. For goods intended for the ultimate consumer this usually means the addition of another distributor between the manufacturer and the jobber—a distributor, however, who usually does not own the product he sells, but who handles it on a commission basis for the manufacturer. The channel of distribution then becomes manufacturer - selling - agent - jobber - retailer - consumer.[11] Many textiles, groceries, and hardware products are sold in this way.

In a few trades, notably the textile trade, there are middlemen who represent manufacturers in the purchase of the raw materials and manufactured products which they use in their own factories. When these dealers are buying manufactured products, as cotton in the grey or yarn, they may purchase directly from the manufacturer, or, in case the latter utilizes the services of a selling agent, they may purchase through the selling agent; and then both parties to the final sale are represented by a middleman. Wholesalers who merchandise many products sometimes buy through such middlemen, and importers of manufactured products also utilize their services.

Middlemen Perform Other Services.—The great service of middlemen to most manufacturers is the effort they devote to selling goods. But they are important for other reasons, and, although many manufacturers attend to their own selling, it must not be assumed that the services of the middlemen are thereby entirely eliminated. In fact the efforts of

[11] See Chap. VIII, also L. D. H. Weld, "Marketing Agencies between Manufacturer and Jobber," *Quarterly Journal of Economics*, Vol. XXXI, pp. 571–599.

middlemen are seldom confined to demand creation. They often perform an important part in financing, in physical distribution, and in the assumption of risks. The selling agent of the manufacturer may merely make sales, but frequently he guarantees the accounts of the firms to whom he sells and attends to the collections. The jobber usually sells the product and attends to its physical distribution, assumes risk, and assists in financing; but for many manufacturers he performs only one of these functions or even a part of one. Sometimes the jobber merely makes the sale and sends the order to the manufacturer, who attends to the delivery of the goods, looking to the jobber, perhaps, for payment. On the other hand, some manufacturers sell their own product but send the order through the jobber, who attends to the physical distribution, assumes the risk, and collects the accounts. Some manufacturers send out specialty salesmen, who drum up trade for their product in addition to that procured by the salesmen of the regular dealers through whom it is handled. Some advertise their product to consumers and to retailers, although the final sales to the consumer are made and distribution is attended to by jobber and retailer.

Combination of Channels is Common.—Not only do manufacturers utilize the services of middlemen in varying degree, but the same manufacturer may use more than one channel of distribution for his goods. One cause for this arises out of the different markets in which he may be selling. In selling a national market, such as that in the United States, the manufacturer is really selling in a number of different kinds of markets. He is selling in large cities, in small cities, and in the country. In the large city he may decide it will pay to own his own retail stores, or at least to do his own jobbing; in smaller cities he may find it best to use the "regular" channel of distribution through jobber and retailer. Again, in a single city his market may vary from the kiosk in the foreign section to great department stores and exclusive specialty shops. Some department stores buy in larger quantities than

do many jobbers, and by reason of this they are often able to buy at the same prices as the jobber, or even lower than he. Many manufacturers sell to any dealer who will buy, varying prices according to the quantity purchased rather than according to the kind of dealer or consumer. A manufacturer may be selling directly to the department stores, whereas other business houses in the same city make their purchases only through the jobber.

In different sections of the country and with different kinds of trade, the hold of the jobber on the retailer varies in strength. Such local preference will also affect methods. In sparsely settled regions the manufacturer may decide that he can get more sales per unit of expense through the mail order method, or through the jobber; in dense areas he may do his own jobbing or even his own retailing; and he may experiment in one market with a new plan of sale while continuing with the tried and sure methods in the remainder. Finally, different methods are often used in the foreign market from those used at home, and a manufacturer who has built up a strong trade through dealing directly with the domestic retailer or consumer may find it advisable to utilize middlemen in a part or all of his foreign trade.

CHAPTER VIII

WHOLESALE MIDDLEMEN OF THE MANUFACTURER'S MARKET: THE JOBBER

To know the functions performed by middlemen one must turn to the functions involved in marketing,[1] for all of these can be, and are, performed by middlemen. As in the agricultural market, so in the manufacturers' market, there are middlemen who perform all of these functions, and there are agencies highly specialized in the performance of one function or of a part of one. Examples of the latter are such specialized agencies as bankers, insurance companies, and advertising agencies, who perform their particular function in the marketing of many kinds of products, both manufactured and agricultural. Examples of the former are the familiar jobber and retailer.

The Jobber.[2]—The chief service of the jobber in marketing manufactured goods is to supply the retailer with merchandise. He purchases goods in large quantities, and usually in wide variety, divides them into smaller quantities and sells them to his customers, the retail merchants. His work is to *assemble* for the convenience of the retailer the products the latter supplies to the consumer. From the point of view of the manufacturer whose product he handles, the jobber's func-

[1] See Chap. II.

[2] Historically the jobber and wholesaler of manufactured goods seem to have been distinct middlemen, but gradually their functions have been merged until today the terms are used synonymously in practically all trades. Where a distinction is made, the term "wholesaler" is likely to be applied to those operating on a large scale and covering a wide territory. Thus, the trade speaks of "wholesale grocers" and of "grocery jobbers"—the latter operating on a smaller scale.

tion is to *disperse* manufactured products. But that is incidental to, and a necessary accompaniment of, his chief office —to assemble the products which the retailer wants; to divide them into the proper sizes, qualities, and varieties; to see to it that they reach the merchant as needed; and often, through granting credit, to assist the retailer in financing his business.

The Jobber's Service to the Retailer.—(1) The greatest service performed by retail merchants for consumers is to bring together at convenient places the products which the consumer is in the habit of demanding on short notice. In the marketing of staple products, however, this work of assembling is to a large extent performed by jobbers. It is often a difficult task to collect the various commodities which consumers demand. There are hundreds of manufacturers producing articles for grocery, hardware, dry goods, and drug stores. To receive the salesmen of such firms, to answer their letters, or to pay close attention to their selling activities, is impossible for any but the largest retail stores. The cost of buying would prove to be too great a burden for the smaller stores. But the jobber makes it his business to keep in touch with sources of supply, and, buying goods to be sold through many stores, he is enabled to purchase in large quantities and so to reduce the unit cost of assembly. This service is particularly important when many different products are handled in a single concern. In case the establishment handles but a few lines and the products of a few manufacturers, as does the shoe store, the men's clothing store, the automobile agency, it becomes possible for the retailer to do business directly with the manufacturers, and consequently middlemen are less used. This is the case because purchases are few and the quantities involved are large. But even in such lines, on account of other advantages, the jobber is often utilized to some extent.

(2) The division of large amounts into smaller is an important service. Manufacturers find it advantageous to sell in large quantities and the inducements which they offer in

the form of quantity discounts and free deals often make it unwise for small stores to buy directly. It is, furthermore, often impossible to buy directly, since some manufacturers will not sell to retailers, particularly small ones. Again, large shipments are more economically handled than small, and freight rates favor quantity shipments, so that the nearer the product can be moved to the ultimate consumer in large lots the more economically it can be distributed. This renders such a service indispensable and so opens the way to the jobber—for the function of dividing these large stocks into the smaller quantities which retailers buy is commonly performed most economically by an agency between producer and retailer. Finally, since the labor of assembling is most economically performed by a specialist—the jobber—working on a large scale, it follows that he is often the logical medium for grading and dividing and arranging the goods into the qualities, quantities, and groups the retail dealers desire.

(3) Another important function which the jobber performs for the retailer is the granting of credit. Many retailers would be unable to begin or continue their business if they had to pay cash for all the goods they buy. This makes an entering wedge for the jobber. If he has sufficient funds, or can get credit, he is enabled to carry the retailer until the latter has sold a sufficient quantity of the goods to be able to make payment.[3] In fact, some retailers are kept in business in this way; and it might well be said of many such arrangements that the retail stores serve as outlets for the jobbers' products and, through this granting of credit, become mere agencies for the sale of the jobbers' product.

(4) As a specialist in distribution, the jobber can give other valuable assistance to the retailer. By watching the

[3] There was a tendency for manufacturers and jobbers to shorten credit periods and to demand cash during the World War, but it does not seem to have continued to the degree it had been hoped. In fact, the slow movement of products in recent months has in some cases forced the lengthening of credits.

market with care he can advise as to what goods are likely to sell best, and in what quantities; he can also advise when to drop certain lines which are likely to lose in public favor.[4] In touch, as the jobber's salesmen are, with hundreds of retail stores and with the market in general, either individually or through the house, they are able to give the retailer many valuable suggestions which an intelligent merchant can use advantageously.

(5) Again, if the retailer did not buy from the jobber he would undoubtedly be in need of much larger storage facilities and would need larger financial resources than he usually possesses. Orders to manufacturers must often be placed far in advance of delivery and for relatively large quantities, frequently involving more goods than the retailer can use in months. To buy in this way would necessitate large warehousing facilities, in addition to large financial resources, and would force the retailer to bear the market risks—the risk of falling prices, the style risk, and the risks of physical deterioration involved in holding goods for a long time in large amounts. But when the retailer purchases from the jobber he can buy small quantities at frequent intervals and the jobber bears the brunt of these risks and cares for the financing and storing. By thus allowing retailers to order in small amounts, the jobber assists them to increase the rapidity of their stock-turns, and thereby makes possible the more economical operation of the large number of small retail stores which modern consumers demand.[5] Most manufacturers find

[4] See A. W. Shaw Co., *How to Run a Wholesale Business at a Profit*, pp. 219–220.

[5] By the same token, however, the jobber's stock-turn is thereby lowered, particularly if he grants credit. But it seems evident that the total reserve stock necessary to supply the trade of say, fifty small retailers would be less if held in one central warehouse (the jobber's) near the stores, than if each store tried to carry sufficient stock to meet the variations in its trade. This is true because the variations in day to day demand would be relatively less for the trade of fifty stores, with

it too expensive to handle the small orders of the average store, and are not able to make quick deliveries of small orders, nor are they willing to grant credit to so many customers; indeed, frequently, they have not the financial resources to do so. The jobber performs, then, this important service of carrying reserve stocks upon which the retailer can draw from day to day or week to week as his trade demands.

Summary.—From what has been said it appears that the chief service of the jobber to retail dealers is to assemble the products they demand—to get these products to them promptly in the proper qualities and quantities, to advise them concerning market tendencies and merchandising policies, to finance them to a large extent in their selling operations, and to relieve them of the storage costs and the burden of bearing the risk which would be involved in the direct performance of these functions.

The Jobber's Service to the Manufacturer.—Whereas the jobber aids the retailer in assembling products, he serves the manufacturer in dispersing products to retail dealers. (1) The jobber ordinarily buys merchandise outright, and takes upon himself the problem of selling it to the retail trade, as well as some of the market risks and storage costs the manufacturer would otherwise bear. Instead of attempting direct sales to the retail trade the manufacturers who sell to the jobber virtually turn over to him the problem of selling the retailer. And the jobber sometimes affords an excellent channel of distribution for the manufacturer: one which is highly specialized for dealing in a definite field, with a developed selling organization, an existing clientele, and a knowledge of the prospective market. These advantages are likely to prove of inestimable value to the manufacturer, and to offer

reserve stocks in the jobber's warehouse, than for each store carrying its own reserves. In addition, the jobber's business is large enough to cause the manufacturer to give him good service, and so he can get fast deliveries on short notice.

a selling service which he could not duplicate for anything like the margin between the price received from the jobber and the price which the jobber receives from the retail dealer.

Handling many products as he usually does, the jobber can work a given market more intensively than can most manufacturers. In an out of the way territory or in selling to small merchants the jobber can make a worth while profit, whereas the manufacturer of a single product would find the selling costs prohibitive. The jobber would sell many different articles; so the total bill would be large, and the costs, consequently, would be spread over a larger order. Thus, in the hardware business thousands of articles are listed in some of the larger jobber catalogues and many varieties of a given type are shown.[6] For the manufacturers of most of these articles to approach each retailer would involve not only a prohibitive cost to the manufacturer, but would be an inexcusable social waste. Only manufacturers who are producing a wide variety of goods, such as Heinz's "57 varieties" or the National Biscuit Company's products, or manufacturers of a single product of large value, such as typewriters, or of merchandise bought in large volume by retailers, such as shoes, clothing, meats, can approach the jobber in the economy of their distribution costs.

(2) Again, as has been noted, the jobber performs valuable

[6] Inquiry among several Chicago jobbers elicited the following facts concerning the number of products handled; although many of the articles listed are not kept in stock by the jobber, being obtained from the manufacturer as needed. A large hardware company handled over 50,000 items, including all sizes and varieties of each product. Ignoring sizes, over 30,000 items are handled. Among the items listed in their catalogue were 51 different paints and varnishes, 24 stoves and ranges, 34 articles in saddlery, 36 agricultural tools—and each of these in several sizes. A drug jobber, handling 4,500 different items, lists 1,520 drugs, 85 candies, 60 cigars. A jewelry jobber keeps in stock 460 different makes of watches, 258 makes of diamond rings, 190 neckchains, and 106 makes of bar pins. A paper jobber carries among other things 286 brands of bond papers, 264 flat papers, 93 ledger papers, 36 linen papers —each in 40 different sizes.

services in regard to transportation and storage. A few large shipments to jobbers take the place of hundreds of smaller shipments to retail stores and are made throughout at a lower cost. The jobber stores these products at convenient points until they are wanted by the retail trade. As he handles many products which are constantly coming and going a given storage space will perform more service for him than it would for either the manufacturer or the retailer; and he can afford a better storage organization because administrative expenses will be less. By delivering numerous articles, rather than a single article as would the average manufacturer, he greatly reduces the unit cost of delivery.

(3) Just as the jobber gives valuable financial assistance to the retailer, so in some instances he assists the manufacturer. This assistance ranges from direct loans, such as are sometimes made to the canners of fruits and vegetables, to the indirect service performed in carrying the accounts of retail merchants, which, if the jobber were eliminated, would have to be carried by the manufacturer himself if existing credit terms continued. The jobber frequently contracts to take the manufacturer's product before the latter begins to produce; and he sometimes advances funds to him, and often pays cash for his product, although in a growing number of cases the jobber is given credit by the manufacturer.[7] His financing function thus assumes large importance. On the one hand, he may be giving credit to the retail dealers, and on the other, he may be buying on shorter terms than those he grants, or for cash, and he may even advance funds to the manufacturer.

(4) The existence of the jobber also simplifies the manufacturer's credit problem. Manufacturers who sell directly to retailers may have to carry on their books the names of thousands of retailers[8] and to keep in constant contact with

[7] See pp. 336–341.

[8] Mr. Parlin estimated in 1915 that there were not far from 300,000 grocery and general stores handling groceries plus 100,000 other retail

all available sources of retail credit information. The jobber takes this work from their shoulders, which leaves simply the need to obtain credit information concerning a few jobbing houses that are usually large enough to have their rating easily ascertained.

Going "Around" the Jobber.—By no means all manufacturers, even of staple lines, utilize the services of the jobber and many use them only in part. The combinations of direct marketing with marketing through the jobber are various, and the number of manufacturers who do this and of those who do not use the jobber at all seems to be growing.[9] Some manufacturers do their own selling, through advertising, salesmen, and correspondence, but have orders sent through the jobber who carries the goods, collects the accounts, accepts repeat orders, and performs other functions. In other cases the jobber continues to sell the product, but through the means of drop shipments [10] part of the work of physical distribution is shifted to the manufacturer. When jobbers sell goods in carload lots, the carload is frequently shipped directly from the factory; but it is not usually economical to send smaller shipments in this way. The business relations in such cases vary with the nature of the services performed, the relative power of the manufacturer and jobber, the status of competition, and the nature of the market.[11]

It thus appears that the work of the jobber is not always the same, and that the distribution of functions between manufacturer and jobber varies greatly. In the last analysis, the extent to which the jobber is used by a manufacturer is determined in part by the relative cost of different methods,

outlets handling foods. See C. C. Parlin, *An Address Delivered before the District Sales Managers of the Joseph Campbell Company* (Dec. 28, 1915), p. 1. (Pub. by The Curtis Publishing Company).

[9] See L. D. H. Weld, "The Economics of Advertising," *Printers' Ink*, July 11, 1918, pp. 4–6.

[10] This is a shipment made directly from the factory, when the sale has been made by the jobber, or vice versa.

[11] See pp. 172 ff. and Chap. XXI.

in part by the financial resources of the parties involved, and in part by the personal ability of the business men. That is, under fundamentally similar conditions of cost, the financial resources and the ability of the manufacturer as a merchandiser often determine the extent to which he will utilize his own efforts rather than depend on those of the jobber. Where one man would boldly launch a direct marketing campaign, and succeed, a second would launch forth as boldly, and fail, and a third having less imagination and initiative, or less confidence in his own merchandising ability, would not even make the attempt. This matter of the personal equation of the business man is of the utmost importance in determining and in explaining the merchandising methods of individual firms, and is a frequent cause for finding widely divergent methods used in marketing similar products under apparently similar conditions.

Jobbing Lowers Costs.—Despite these personal variations the fundamental fact of cost, with its various modifying influences, remains the most important consideration. The economic justification for jobbing is the fact that it lowers the cost of distribution. Where the service to be rendered in distributing a given product from producer to retailer can be most economically performed by the jobber, he is likely to be used. It is obvious then, that the service to be performed is fundamental to any determination of the conditions which make the use of the jobber essential.[12]

Jobbers "Eliminate" Manufacturers.—Just as the manufacturer is going into the field of the jobber, so the jobber is going into the field of manufacture, and there are today manufacturing-jobbers as well as manufacturers who do their own jobbing. The manufacturing-jobber is one who puts out under his own brand or under one which is identified with his name, a large part of the products which he handles. He may manufacture them himself, as is done with Lyon and Healy

[12] The discussion of these conditions has simply been introduced in this chapter. They are enlarged upon in Chaps. X and XIV.

pianos; he may subsidize manufacturing plants which produce them—even buying the entire output of certain plants—which is done sometimes with canned foods; or he may simply attach his own brand to goods bought in the open market as wholesale grocers sometimes do. But regardless of his relation to manufacturers the product is identified with his name rather than with theirs. This intrusion upon the manufacturing field by the jobber, and the invasion of the jobbing field by the manufacturer, are among the tendencies of greatest importance in marketing manufactured products. And the general tendency has gone even further. Both of these have entered the retail field, and retailers in their turn have gone into wholesaling and manufacture. This tendency has come about because of the intense competition for sales, and, in turn, it has made that competition more intense.

Private Brands.—One result of the intense competition for sales has been the introduction of private brands by manufacturers, jobbers, and retailers. By branding the products which he merchandises, the business man helps to retain any good will which his aggressive sales efforts have created.[13] The introduction of aggressive selling by manufacturers and the fact that both manufacturers and jobbers brand many of the products which they merchandise sometimes gives rise to ill feeling. Some of the reasons for the introduction of jobber brands will be given at this point.[14]

(1) Jobbers sometimes believe that manufacturers who brand their products and assist in selling them to retailers and consumers, take advantage of the control they are able to exercise in the market, by reason of the good will they create, to cut down the profit made by the jobber on the sale of these goods to such a point that he makes nothing from handling them. In order to fight this situation, as well as to gain the same kind of good will for their own wares, many

[13] See Paul T. Cherington, *Elements of Marketing,* Chap. XIV. The question of brands will be discussed further in Chap. XIX.

[14] The manufacturer's position is discussed in Chap. X.

jobbers have established their own brands. The truth behind this situation is not always evident. For the manufacturer, on the other hand, claims that through performing the function of demand creation himself he has taken away one of the greatest expenses which the jobber's margin formerly covered. For performing the function, he is entitled to the part of that margin which covered that expense under the old system. Apparently this is a question of fact. If the manufacturer does create the demand, he surely should no longer pay the jobber for doing it. Whether he takes advantage of his power in the market to exact even more than this cannot be readily ascertained in most cases. Although it seems improbable that many manufacturers have created a consumer demand strong enough to overcome the antagonism which such a price policy would involve, the fact that a few have done so makes the jobber suspicious of all similar selling efforts. If the dealer thinks the manufacturer is allowing too small a margin, or if he fears that the margin will ultimately be cut, it gives rise to as much ill will in the relations between them as though it were the actual fact.[15]

(2) In other cases, the jobber fears that after he has spent time and money in building up a demand for the manufacturer's product, the manufacturer will decide to sell to retailers himself, or to sell to some other jobber. Since the product is branded, he would lose the demand for it, even though he had borne the cost of creating that demand. The effort spent, if it had been applied to a product bearing the jobber's own brand, would have brought permanent trade and good will. To protect against this possibility, the jobber may introduce a competing brand of his own, and thus cause ill feeling on the manufacturer's part, and perhaps hasten the severance of business relations. Even though the jobber has expended little or no time and money in demand creation, the loss in good will when a branded product is taken from him has still

[15] Cherington lays the private brand "problem" largely at the door of "concentrated" retailers. See his *Elements of Marketing,* pp. 151–5.

to be faced. For although the manufacturer may have taken the entire burden of creating the demand, when he takes the product away from the jobber he leaves, thereby, a hole in the jobber's sales which may prove difficult to fill. Finally, the whole tendency toward "direct" marketing is against the jobber's fundamental interest. If enough producers do this, there will remain no need for the jobber's service.

(3) Another important reason which, undoubtedly, induces the jobber to sell his own private brands is the desire to gain control of the market in certain products for which he sees there is likely to be a brisk demand, and to take advantage of advertising as a selling force. Since it is in the sale of these more lucrative lines that direct-selling manufacturers tend to appear, the jobber must do this in self-protection, if not for more positive reasons. Otherwise he will find that he has lost his most valuable trade to the direct-selling producers.

The development of advertising has without doubt exerted an influence on the private brand problem. Its part in arousing antagonism between jobber and manufacturer has just been mentioned. But it has a more positive influence with the jobber. Realizing the advantages of advertising and branding to demand creation, the jobber has seen that he may increase his clientele by advertising brands which only he can sell.[16] By developing his own factories or subsidizing manufacturers, as the case may be, he is assured of a steady supply of products with no danger of losing it to another jobber, and with less danger of losing trade through the refusal of a manufacturer to sell him any more goods. For even though a given producer refuses further supplies the jobber can usually find others who can make the goods. And, since the brand is his own, no loss in trade need follow. The larger

[16] The jobber, like the manufacturer, may sell the same or similar goods under more than one brand. Sprague, Warner and Co., for example, sell groceries under three brands, allowing one grocer in each community to have the exclusive sale of one brand. Thus their goods may, because of the three brands, be sold through three stores.

jobbers, furthermore, have high selling costs, and the introduction of advertised brands shifts some of the sales emphasis from price to quality, and so assists in the competition with smaller jobbers operating at a lower cost.

(4) Another reason which has been advanced is that by branding merchandise the jobber is protected against his own salesmen. Jobbers who depend, as most of them do, upon their salesmen to create and maintain trade, have sometimes found that much of their trade was not really their own, but came to them because of the personality of their salesmen. This has put the salesman in a very strong bargaining position, enabling him to threaten to take his customers with him to a competitor if his demands are not met by the jobber. Although this is heard of less now than in the past, it is still important. When the jobber handles his own exclusive brand of goods, his salesmen, to a greater degree, create a demand for these brands, as well as for the jobber's service, and there is, then, less danger of the loss of customers when popular salesmen leave the house.

(5) Of perhaps minor importance is the claim of the jobber that he can sell goods of better quality when he oversees their manufacture. It is probably true, at least, that he can in this way, be certain of more uniform quality, a valuable asset to him because his own trade suffers when a manufacturer's products are not as represented. A counter claim is made, however, by manufacturers that jobbers brand the surplus products and the left-overs of plants selling under their own brand, and that in no case can they exercise the same supervision over production that the manufacturer himself can exercise. Here again, no general statement can be made. The truth cannot be known in most cases, for conditions would vary with different jobbers and different products, as well perhaps as with different seasons of the year, when the volume of trade varies. Many manufacturers who sell under their own brand also sell unbranded goods to jobbers or retailers and even to both. This is often done as a definite policy.

Two well known drug manufacturers sell under their own trade name, but they also sell goods on which they will place the retailer's brand. And an aluminum cooking utensil company handles two branded and one unbranded line, in order to sell to different classes of dealers. Since the goods sold in these cases are not "left-overs" but are sold to the dealers with the purpose of building a permanent trade, the objection mentioned above would hardly apply. But it may, nevertheless, be true that in some lines, such as canned foods, left-over stocks or "seconds" are sold to dealers, unbranded.

Integration.—It is obvious that the jobber who controls his own factories, and in less degree even, the jobber who brands the products of independent manufacturers, as well as the manufacturer who does his own jobbing, are performing the same functions. But there is a difference in emphasis and in point of view. In one case, integration is taking place from the factory; in the other, from the market. The manufacturer does not always sell all his products through his own selling organization; at least, he does not always do all of his own jobbing; and the jobber, seldom, if ever, manufactures or even controls the manufacture of all the products he sells. Both are sports in our present system of marketing, and both point to the same tendency—the attempt to gain control of the market through the integration of manufacturing with marketing.[17]

Jobber Types.—Most jobbers confine their efforts to the goods carried by the class of stores to which they sell. These lines are often very wide, as with dry goods, hardware, grocery, and drug jobbers. And even more specialized lines, such as jewelry, paper, and musical instruments, include a large number of individual products. A few houses, like Butler Brothers and the American Wholesale Corporation, which supply general stores, carry an extremely wide range of products. Flour jobbers and shoe jobbers, on the other hand, confine themselves to a narrow line of merchandise. And there

[17] The same tendencies are evident in retailing. See p. 215.

are, as in the dry goods field, so-called "specialty jobbers" who sell only notions, silks, ready-to-wear, knit goods, dress goods, white goods, or linens. There are also manufacturers of single products, which are part of a wider line sold to retailers or producers, who job a few products made by other manufacturers, so that they can fill orders for a wider variety of products. This makes selling easier and less costly. Manufacturers of building materials and machinery, for example, sometimes do this.

National Jobbers.—The volume of business and the size of the territory covered also vary greatly. In the staple lines, three important classes of jobbers are discernible: the national jobber, the district jobber, and the local jobber. The national or large general jobbers are located at such strategic centers as New York, Chicago, and St. Louis. New York in particular was formerly a center for national jobbers, because it was the port through which large quantities of European manufactures came into this country; and it had an excellent location in the center of American manufacture and consumption, with adequate transportation facilities for reaching outlying districts. But in recent years population has spread to the West and South, manufacturers have developed in America, and the manufacturing area has gradually spread with the expanding population; while improved transport has rendered other large cities commercially nearer these developing districts than is New York. There has developed, moreover, a retail demand for prompt and quick delivery of goods in small quantities. For these reasons New York has gradually lost its relative importance as a wholesale center. The large general jobbing business which formerly centered in New York has shifted in large part to Chicago, St. Louis, Denver, and the coast cities. The large jobbing houses located at these points are not, however, exactly like the national jobbers of former times. Their territory, in particular, is more limited.

District and Local Jobbers.—More recently small jobbing

houses have developed which are assuming the predominant place in staple trades. These are of two general classes. First are those jobbers who operate in areas extending for two, three, or four hundred miles from a given city; and second are the purely local jobbers who operate in a large city, or part of a large city, or in a small city and the cities and towns near-by. In the wholesale grocery business, for example, distinction has been drawn between national jobbers, district jobbers, and local jobbers. The latter are the predominant factor in the distribution of food products which are handled through jobbers. In 1915 the Curtis Publishing Company found that over one-half (53.33 per cent) of the grocery business passing through jobbing channels was handled by 2,768 local jobbers each doing less than a one million dollar business. Nearly one-third (32.4 per cent) of the business was done by 316 firms which were classed as "semi-sectional," and doing a business of between $1,000,000 and $4,000,000 each. Large sectional jobbers, of whom there were twenty-five, with a business running over $4,000,000 each, did 9.27 per cent of the business. And six national jobbers did but 5 per cent of the business, although their combined business was over $75,000,000.[18] Mr. Parlin in giving reasons for the continued growth and importance of the local jobber cited, among others, the fact that as such jobbers do not brand their product, whereas sectional jobbers do, national advertising manufacturers "more and more turn to local jobbers for distribution, and throw the powerful weight of national advertising behind the local jobber."[19] This tendency for local jobbers to develop is found in other staple lines.[20]

[18] C. C. Parlin, *An Address Delivered before the District Sales Managers of the Joseph Campbell Company* (1915), pp. 5–6 (Pub. by the Curtis Publishing Co.).

[19] *Ibid.*, p. 7.

[20] For an interesting discussion of the different types of dry goods jobber—(1) general dry goods jobber, (2) specialty jobbing house, (3)

Local Jobbers.—There seems to be no question of the trend toward local jobbing. Even manufacturers who sell to retailers are forced to recognize the factors which are behind this movement, and to establish branch sales districts and warehouses. National jobbers, likewise, have had to establish branches in order to compete successfully with this tendency.[21] There continue, however, despite this policy of the national jobbers, to be certain distinct advantages to local jobbing, especially in the merchandising of staple lines. Staples are sold primarily on a price basis. This is particularly true in their wholesale distribution, for the retailer wants to buy such products at the lowest possible cost. Here the local jobber seems to have distinct advantages. He is in direct charge of his business and has no high administrative expenses for efforts directed solely to controlling a large organization. He can keep in direct personal contact with his customers, thereby establishing a personal good will which makes selling easier, and he can keep in close personal touch with credits.

The advantages of the local jobber are shown, so far as expenses are concerned, by consulting Tables V and VI at the end of this chapter. On the assumption that the smaller jobbers are the local jobbers clear advantages in expense are shown. The reader must be warned, however, that the whole story is not told by these figures. The rate of turnover, in particular, is not given, and this may have an important bearing on prices and profits. Furthermore, the larger jobbers are often manufacturers in some degree, manufacturing some of their own products and placing their own brands on many others. It is entirely possible that, considering this, a comparison of this kind is inaccurate, since the sales expense for selling manufacturers' goods is divided between the manu-

local general jobber, (4) small local jobbing house, (5) catalogue jobbing house, (6) drop shipper—see Cherington, *The Wool Industry,* Chap. IX.

[21] See E. C. Simmons, "A Half Century in Hardware," *Iron Age,* Vol. 77 (Jan. 4, 1906), pp. 145–148.

facturer and the local jobber, whereas the large jobber's expense includes both types of sales cost. Some of the tendencies shown in these tables illustrate the conditions which are thought to favor local jobbing. Those conditions which have not already been discussed will now be mentioned.

The salesmen of the local jobber cover a small territory intensively and live at home most of the time, thus reducing their expenses. And many orders are taken by the drivers of his delivery wagons. All of this keeps costs down. Delivery expense is likewise small, for the local jobber's warehouse is near his customers and the cost of making the small deliveries the trade demands can be kept down. This also enables him to make quick deliveries on short notice. Because of the modern emphasis on rapid stock-turns the local jobber has a dis-

TABLE V

Wholesale Expense Percentages for Different Volumes of Business and Different Lines *

Volume of Annual Sales	Groceries		Hardware		Clothing		Electrical Goods	
	T.† %	A.† %	T. %	A. %	T. %	A. %	T. %	A. %
Over $1,000,000.....	10.3	8.8	23.5	18.8	17.8	15.6		
$500,000 to $1,000,000	9.0	7.5	19.2	16.7	16.1	12.8	18.1	15.7
Under $500,000.....	7.2	6.3	17.8	14.9	——	——	17.0	13.3

* A. W. Shaw Company, *How to Run a Wholesale Business at a Profit* (1918), pp. xix-xxv.

† "T" means typical data, "A" means results which are thought to be attainable by the average firm in each class.

tinct advantage from this fact, i.e., that his stock is nearer to the retailer than is the stock of the larger jobber whose headquarters are more remote. With the higher freight rates now prevailing, this advantage will be even greater, for the local jobber can make many deliveries by truck and the rail hauls from his warehouse to his customers are short.

The sectional jobber, for similar reasons, has lower costs than the national jobber, but higher costs than the local jobber. In the grocery line the sectional jobber has been adopting a private brand policy, in part so that he will not be

TABLE VI.

Wholesale Expense Distribution Percentages for Different Volumes of Business and Different Lines *

Annual Sales	Groceries			Hardware			Clothing		Electrical Goods	
	Over $1,000,000	$500,000 to $1,000,000	Under $500,000	Over $1,000,000	$500,000 to $1,000,000	Under $500,000	Over $1,000,000	$500,000 to $1,000,000	$500,000 to $1,000,000	Under $500,000
	%	%	%	%	%	%	%	%	%	%
Selling Expense	3.1	2.2	1.7	6.4	5.9	4.2	6.0	5.5	5.2	4.6
Administrative Salaries and Wages	3.0	2.2	2.0	7.9	6.2	5.3	4.0	3.5	5.9	4.9
Rent	0.4	0.6	0.5	1.0	1.2	1.2	1.2	1.4	0.9	1.0
Light, Heat and Power	0.1	0.2	0.1	0.2	0.2	0.2	0.3	0.3	0.1	0.1
Packing and Shipping	0.5	0.5	0.3	1.0	0.7	0.6	0.4	0.4	1.1	0.9
Insurance and Taxes	0.4	0.5	0.4	0.7	0.7	0.8	0.4	0.4	0.6	0.4
Office Expense	0.3	0.3	0.2	0.8	0.7	0.6	0.3	0.5	0.5	0.9
Bad Debts	0.7	0.5	0.5	1.1	0.8	0.6	1.2	1.0	1.5	0.9
Advertising	0.4	0.4	0.1	0.7	0.3	0.3	2.0	2.0	1.5	0.4
General Expense	1.6	1.6	1.4	3.7	2.5	4.0	1.4	1.1	0.8	2.9
Total Costs	10.3	9.0	7.2	23.5	19.2	17.8	17.8	16.1	18.1	17.0

* A. W. Shaw Company, *How to Run a Wholesale Business at a Profit* (1918), pp. xix ff.

forced to compete on a price basis with the local jobber.[22] It is interesting that the figures of Table VI, almost without exception, show that the selling costs (selling expense [23] and advertising), administration, packing and shipping, and bad debts appear larger with the larger houses.

[22] C. C. Parlin, *op. cit.*, pp. 4, 6.

[23] Sales force expense per net sales, however, has been found to decrease as the business increases in size. Harvard Bureau of Business Research, Bul. No. 14, *Methods of Paying Salesmen and Operating Expenses in the Wholesale Grocery Business in 1918,* p. 19.

CHAPTER IX

WHOLESALE MIDDLEMEN OF THE MANUFACTURER'S MARKET (*Continued*)

I

The chief purpose of the present chapter is to discuss the work of certain highly specialized marketing agencies, including those middlemen of exchange who operate mainly between the manufacturer and the jobber.[1] The middlemen of exchange are known by various names in different trades. Among them are commission or selling houses, manufacturer's selling agents, brokers, and purchasing agents. The general advantages and economies which result from their efforts will be described at this point.

These middlemen usually perform but few of the marketing functions. Their principal activity consists in arranging for the exchange of title to goods, and they serve the manufacturer through taking over his sales problem. Their sales service is particularly important to small manufacturers. Thus, hardware products are commonly manufactured by many independent firms, each making but a few special articles or a limited line of products. Only large manufacturers can afford a sales organization sufficiently effective to sell the trade directly. But the manufacturer's agent offers a selling or-

[1] For an excellent general discussion of middlemen functioning between manufacturer and jobber see L. D. H. Weld, "Marketing Agencies between Manufacturer and Jobber," *Quarterly Journal of Economics,* Vol. XXXI, pp. 571–599; see also the Reports of the Federal Trade Commission on canned goods, coal, newsprint paper, etc.; M. T. Copeland, *The Cotton Manufacturing Industry of the United States,* pp. 209–215; and P. T. Cherington, *The Wool Industry,* pp. 109–127.

ganization for these smaller firms, and by combining several products he is able to sell the trade at a low unit cost. Such middlemen sometimes assist the manufacturers in their financial problems. This has been common in the textile trades, and is not uncommon in the hardware field.[2] In the grocery trade, in addition to the sale of staple canned foods, they have sometimes helped to introduce branded specialties.[3] By the combination in their operations of the output of several manufacturers, selling is usually accomplished at a lower unit cost than would be possible for the individual manufacturers. It has been shown that the manufacturer cannot usually afford a sales department which will reach the retail trade or the final consumer. Furthermore, he often finds it desirable to devote all of his time to the work of production. And for the same reasons he often finds it inadvisable to try to sell the very large number of jobbers and other large buyers found in some trades.

These middlemen serve the buyers as well, for, as they handle several varieties of a product or a single variety in large amounts, the various goods demanded, and sufficient quantities of each, can be purchased through one agency at a minimum of trouble and cost. And not only do these middlemen sometimes finance the manufacturers whose products they sell, but they may likewise render assistance to the purchasers who buy through them. They do little warehousing as a rule, and with the exception of the commission men, usually assume no risk and do no financing. It is safe to say that they are chiefly engaged in the work of buying and selling: not on their own account, but in assisting other parties to consummate sales. The financial assistance some-

[2] Cherington, *op. cit.*, p. 121.

[3] Certain grocery products, such as Kellogg's "Toasted Corn Flakes" and "Cream of Wheat," were introduced in this manner, although they have since been taken over by the manufacturer's own selling department. See L. D. H. Weld, "Marketing Agencies between Manufacturer and Jobber," *Quarterly Journal of Economics*, Vol. XXXI (1917), pp. 586–589.

times rendered is, nevertheless, important. But manufacturers and buyers are coming to have a stronger financial standing and are able more and more to dispense with this service, and as manufacturers grow in size and resources, they are often able to dispense with the exchange service as well.

(1) **Commission Houses.**—Commission houses, which are known to the law as factors and which are also called selling houses, are now found in the textile trades functioning as intermediaries between the mills and finishing houses, clothing manufacturers, jobbers, and retailers.[4] The selling house of the textile trade is of greatest importance to the smaller mills which are not near the market and to those mills which manufacture goods of seasonal design. Mills making staple fabrics, particularly the larger mills, more commonly sell direct or use brokers. The principal functions of the selling house are to sell the cloth for the mills and to finance them. This last function is more important in the case of Southern cotton mills, which are weak financially and removed from the great financial centers, than it is with the mills in the older manufacturing districts. Aid is rendered through direct loans, the endorsement of the mills' commercial paper, or through the guarantee of their accounts. In addition to selling and financing, such firms frequently furnish the mills with seasonal designs and patterns, sometimes hiring their own representatives to go to European markets to obtain the latest designs. They are located close to the chief selling markets, New York and Boston, and often have offices in several other cities. This enables them to keep constant watch of the styles and qualities the market demands, as well as to sense the volume of production in various lines.

The actual selling is done on a commission basis. The selling house takes orders several months before the goods are to be delivered, and orders the mill to make them. Sometimes goods are manufactured in excess of these orders and consigned

[4] See Copeland, *The Cotton Manufacturing Industry of the United States,* Chap. XI; and Cherington, *The Wool Industry,* Chap. VII.

to the house for sale. The commission varies with the work done, ranging from one and one-half to four per cent. When selling is difficult and when assistance in financing is rendered, or when accounts are guaranteed, the charge is greater. The selling house usually has the sole agency for each mill for which it sells, although a mill handling more than one kind of cloth sometimes has an agent for each. A single house usually handles the product of several mills and hence operates on a large scale. This reduces the unit cost of marketing, and enables the house to have enough goods to meet all normal demands made by purchasers.

Elimination and Integration.—Selling houses have been a feature of the cotton industry ever since its rise to importance in the late eighteenth and early nineteenth centuries and were early introduced into the wool and silk trades. Their persistence in the textile trades after they have been eliminated in many others seems to indicate that the function they fulfill there is a very real one. Most of the small and some of the large mills continue to sell in this manner. The position of the selling house does not appear, however, to be as strong to-day as it has been in the past. The same tendencies that have brought about the elimination of middlemen in other trades are operating here, although as yet with less effect. Here as in some other industries the continuance of many small producers is perhaps the chief consideration which has continued these middlemen as important distributors.

A close connection frequently exists between these firms and the mills for which they sell. This connection may be direct or it may result from having some stockholders, officers, or directors in common.[5] This has led in a number of cases to integration, the selling house becoming either the selling company for a mill or a chain of mills, or the selling department of an integrated organization. Other large mills have eliminated the selling house and have organized their own

[5] Cherington, *The Wool Industry*, Chap. VII.

selling house or department. In other cases, elimination has not gone so far—the selling house has become a sales agent, which operates under the close supervision and direction of the mill.[6]

Commission men, often called commission merchants, are also found in the sale of canned foods—fruit, vegetables, fish. As in other trades their operations are often hard to distinguish from those of the broker and sales agent, but the functions they perform are more extensive than those of either.

"The commission merchant is usually a general sales agent, who handles the entire pack of the canner, who very often finances the canner, who in many cases bills out goods for him, and who collects his accounts." [7]

This commission merchant receives a commission of about 5 per cent, whereas ordinary brokers receive 2 or 3 per cent. The extra commission is a remuneration for the performance of extra services, such as financing and collecting accounts.[8]

(2) **Manufacturer's Sales Agent.**—Whereas the commission man receives goods from the manufacturer and sells them in his own name, then collects the proceeds and after deducting his expenses and his commission remits what is left to his principal, the manufacturer's sales agent operates within more narrow limits. The agent's authority as to territory, prices, and terms is usually definitely limited by a contract with the manufacturer.[9] Sometimes these agents are paid a salary, and are, therefore, practically salesmen, although they are more usually paid on a commission basis, or on a flat rate per unit sold. As has just been shown, when textile mills grow in size and financial strength they sometimes change from the commission basis to the selling agent basis of sale, in

[6] Cherington, *op. cit.*, p. 121.

[7] *Report of the Federal Trade Commission on Canned Foods: General Report and Canned Vegetables and Fruits* (May 15, 1918), p. 18.

[8] *Ibid.*, p. 19.

[9] *Ibid.*, p. 17.

order to gain a more direct control over the sale of their output. This is frequently a transition stage from complete dependence on commission houses to direct selling by the mill. The chief difference between the commission house and the manufacturer's selling agent of the textile trade is, as elsewhere, found in their relative freedom of action.

"Briefly, the distinction between the two is that the agency usually is financed by the mill and performs the selling operations on an agency basis rather than as a regular commission house. The control of selling operations, in other words, is kept in the hands of the mill." [10]

Selling agents in the hardware and grocery field are sometimes known as manufacturer's agents.[11] Instead of handling a single kind of merchandise they commonly sell an assortment of goods. But they usually handle only one kind of each product in their line, agreeing with each manufacturer to sell no competing product. In the sale of canned foods the sales agent is known as the "general sales agent." These general sales agents usually sell all, or a large part of the output of a packer. When they handle the entire output they arrange to sell it in all markets, often selling through "sub-brokers" to whom they, not the packer, pay a brokerage fee.[12] In some cases the general sales agent does not handle the entire output but has a large exclusive territory in which he sells.

The Federal Trade Commission cites three reasons for the employment of general sales agents by packers.[13] First, it may be the quickest and most efficient way.

[10] Cherington, *op. cit.*, p. 121.

[11] L. D. H. Weld, *op. cit.*, pp. 574, 580-589.

[12] *Report of the Federal Trade Commission on Canned Foods: General Report and Canned Vegetables and Fruits* (1918), pp. 17–19; *ibid., Canned Salmon* (1918), pp. 21–22.

[13] *Ibid., General Report and Canned Vegetables and Fruits*, p. 18.

"Although he usually has to pay a general sales agent a higher rate of remuneration [3 to 5 per cent] than the ordinary broker, he is willing to bear the extra expense because it obviates his carrying on negotiations with a large number of brokers and because he has confidence in the sales agent's ability to sell his pack to advantage." [14]

Second, a broker often advances money to the packer. In this case he usually insists on marketing the entire pack of the canner, and thus acts as a general sales agent. Third, close relations, such as were mentioned in the discussion of the textile trade, sometimes exist between the selling house and packing plants, and this may cause their transactions to be of this nature.

(3) **The Broker.**—The term "broker" is usually applied to that class of middlemen who make it their main business to bring buyer and seller together. Representing either buyer or seller, their only function as pure brokers is to assist in the consummation of sales, and as a result of their knowledge of the trade, in the assembly of products. Such middlemen usually specialize in one particular kind of product and know the market, the producers, and the buyers of their field thoroughly. Their powers are narrow—often they have the power to sell or buy only after confirmation of the transaction by the firm for whom they are operating. They are generally paid a flat rate per unit or carload, and because their functions are few and their expenses small their commissions are not large. In the sale of cotton fabrics the fee is commonly one-half of 1 per cent, in the sale of canned fruits and vegetables, 2 or 3 per cent, and in the sale of canned salmon,[15] 5 to 6½ per cent.

Brokers are of great importance in the sale of many food

[14] *Report of the Federal Trade Commission, op. cit.*, p. 18.

[15] *Report of the Federal Trade Commission on Canned Foods: Canned Salmon* (Dec., 1918), p. 47.

products, such as groceries, flour products,[16] canned goods.[17] The broker is important in the canned fruit and vegetable market because the canneries are small and because they are usually located in the producing areas, whereas the jobbers to whom the canned goods are sold are far away in the centers of population and ultimate consumption. Even such large manufacturers as sugar refiners use brokers. But because of their more effective sales organization, and lower unit costs they are particularly useful to the many small manufacturers of limited lines found in each of the fields mentioned. The broker is also found in the textile trades, where he sometimes operates between the manufacturer's selling agent and the purchaser, thus introducing another middleman operating on a larger scale and specialized even more highly than the selling agent. Brokers are also important in the sale of cotton grey goods, appearing between the treasurer of the mill or its selling agent and the converters.[18]

Summary.—The pure broker is an independent agent who merely brings buyer and seller together for a single transaction. Although he may deal in the name of his principal, he ordinarily accepts no responsibility, and the latter's confirmation of sale or purchase is usually necessary. Commission men (commission merchants, commission houses, and also selling houses of the cotton cloth trade) more often operate under contract, and deal in their own name with power to buy and sell without consulting their principal. They collect the bill and deduct their own fees and agreed-upon expenses before remitting. Very often they finance the prin-

[16] *Report of the Federal Trade Commission on Flour Milling and Jobbing* (1918), p. 12.

[17] "The services of brokers are used to some extent in nearly all branches of the food trade, though they are particularly conspicuous in the case of canned goods."—*Report of the Federal Trade Commission on the Wholesale Marketing of Food* (1919), p. 35.

[18] "With the expansion of the industry and the growing volume and diversification of products such a middleman secures an increasingly large place in the market organization."—Copeland, *op. cit.*, p. 216.

cipal through advances and endorsements. Both brokers and commission men tend to specialize in the sale of a limited variety of goods. Manufacturer's selling agents differ from commission men and brokers in that they are more closely bound by contract to their principal, and hence more closely under his control. The differences are largely in degree and the name a house is known by in the trade does not always indicate its exact service, but often far from it. In fact individual selling houses commonly make different contracts with each client, adapting the contract to the needs of the client.

(4) **Buying Middlemen.**—Among the middlemen who represent the purchaser rather than the seller, the broker is probably the most important. In fact, even when he is the direct representative of the manufacturer he can be of great service to his client's customers through his first-hand knowledge of the market and of sources of supply. Some brokers, particularly in the grocery trade, act as free lances, representing a manufacturer in one sale and a buyer in another, but keeping themselves unhampered in their general business by making no exclusive agreements with any manufacturer or buyer. Even when these brokers are the direct representatives of manufacturers, buyers for wholesale houses often prefer to deal with them. By dealing with brokers in each field they can most readily get in contact with the best sources of supply, often at a lower cost than would result from sending their own representatives. Inasmuch as the brokers through handling the product of several manufacturers can sell at a low cost per unit, they thereby reduce the cost of goods for their customers. Their operations, in the large, thus assist in the assembling of products by the wholesaler or manufacturer.

The buying of the wholesaler is also assisted by what are known as "purchasing agents" in the hardware trade and "resident buyers" in the dry goods business. These middlemen are sometimes the salaried representatives of the buying house,

sometimes independent representatives working on a commission basis. A great many wholesalers, importers, and large retail establishments have such representatives in foreign markets of importance as well as in the large domestic centers of trade.

The Merchant-Converter.—Another interesting middleman is the "merchant-converter" of the cotton trade.[19] He buys cotton goods in the grey, usually through a broker. He then has these finished, either in his own plant or on a commission basis by independent firms, after which he sells the finished cloth to the retailer, wholesaler, or cutter-up. The merchant-converter thus takes the entire responsibility for styles and for market conditions, after he has ordered or purchased the cloth from the mill; he usually pays cash or buys on a short term basis, and in case of need gives credit to the purchaser. He is a new factor who has entered the cotton trade in the past few years and is in part responsible for the gradual change taking place in the functions performed by the selling houses. In the case of the Northern mills, the financing activities of the merchant-converter may prove to be influential in assisting the mills to free themselves from the dominance of the older selling houses.[20] Through taking over the responsibility for designs and assisting in financing, the merchant-converter has made possible a higher degree of

[19] See Copeland, *op cit.*, p. 216.

[20] The whole market situation in the cotton industry is so interesting as to warrant a word at this point. Cotton cloth may, often does, go through the following hands: cotton mill, selling agent, broker, converter (who attends to finishing the grey cloth), cutter-up (clothing manufacturers, and shirt, collar, and cuff makers, etc.), wholesaler, and retailer. On the other hand some mills are highly integrated and sell finished goods to the large retailers. Although many changes appear to be taking place the middleman is holding his own, although in a new form. Thus, while selling agents are of diminishing importance the broker grows in importance and the new merchant-converter "is coming most rapidly to the front." See Copeland, *op. cit.*, pp. 216–219.

specialization in the industry and has thus made it possible to divide some of the style and credit risks.

II

Some Highly Specialized Functional Agencies.—Two other highly specialized factors in distribution which have made their appearance with the development of modern merchandising methods are the advertising agency and the sales promotion agency. The advertising agency in particular is now a firmly established institution in our market life. In addition to acting as a space broker for periodicals, a good advertising agency is able to offer the service of an organization familiar with advertising methods and media, and capable of outlining and carrying out an effective advertising campaign with better results and at a smaller cost than can any but the larger firms individually. Even the largest concerns usually retain such an agency to assist them. It is the same story of specialization and scale of industry. In contact with the advertising world, confining its efforts to advertising, and working for a number of clients, such an agency obtains certain advantages and economies. Most advertising agencies occupy a dual position as they usually receive their compensation in the form of a commission, about 15 per cent of the amount paid, from the medium in which advertising is placed, and yet they represent and advise the advertiser and often receive payment from him for special services rendered. Many of these agencies have achieved a remarkable success and have numerous satisfied clients.[21]

The sales promotion agency is not easily described. This term, however, is coming to be applied to individuals or firms who come into an organization from outside and endeavor to improve the marketing scheme. Sales promotion agencies en-

[21] See Cherington, *Advertising as a Business Force,* Chap. XV, for a discussion of advertising agencies, F. L. Blanchard, *Essentials of Advertising* (1921), Chap. XXIV, and Tipper, Hollingworth, Hotchkiss and Parsons, *Advertising: Its Principles and Practice,* pp. 408–416.

deavor to find out about the possible market, to ascertain whether existing selling methods are best adapted to the problems in hand, and to render occasional assistance to those in direct charge of the selling branch of the firm. Such service is also frequently rendered by the advertising agency.

III

Middlemen of Foreign Trade: (1) The Commission House.—Finally, three important middlemen found in foreign trade will be briefly described: the commission house, the export merchant, and the manufacturer's agent. As in domestic, so in foreign trade some manufacturers market their product directly, others market entirely through middlemen of one kind or another, and still others vary their methods as between different parts of the world. In the sale of the products of extractive industries, particularly in that of agricultural products, the middleman prevails almost entirely; and as in the domestic sale of farm and manufactured products, so in foreign trade, commission dealers are prominent. But in foreign commerce these commission merchants—or "commission houses," as they are also called in the United States, and "indent merchants" in Europe—represent the buyer rather than the seller. The headquarters of American houses are located in this country where they represent foreigners who desire to make purchases in America. Consequently they are not sellers of American merchandise but buyers, and they are paid for their services by the foreign buyer and not by the American shipper. But houses doing a commission business sometimes sell goods on a commission basis. In fact, the larger houses have both buying and selling branches, and are represented in some markets by other middlemen. They may, consequently, both buy and sell for their clients and may even take title to goods for resale. But selling for clients or buying on their own account is not the true commission house function.

Service to American manufacturer.—It is evident that the

commission house, when operating as a pure commission house, buys the domestic product of a given firm only when that product has been specifically ordered by a foreign purchaser, or, in case the commission house is allowed to choose, only when the product is thought best to meet his requirements. The house depends upon the foreign buyer for its business and is his direct representative in dealing with American producers. Inasmuch as such houses usually pay the domestic shipper his domestic terms, and themselves carry the credit risk of the foreign buyer when that is necessary, it is evident that they perform a very useful service to the manufacturer. In constant contact with the foreign market they are the source of many orders and a valuable medium for the sale of domestic products. All of the unfamiliar problems connected with ocean transportation, customs, tariff, and the like are attended to by the commission house. Very frequently producers do not even know the name of the foreign house to which they have sold. For all practical purposes their customer has been the commission house.

Service to the buyer.—These houses offer excellent service to the buyer. They save the trouble to which buyers would otherwise be subject in ordering many small lots of goods from a number of foreign houses and the further difficulties that might arise in the details of shipment and finance. For the commission merchant takes the order, distributes it among the various producers, pays the individual shipper himself, and collects and ships the goods in a single order, thus reducing the cost of freight, insurance, and financing. In addition to their services in buying, these houses frequently grant credit to the foreign house, a thing which many of the producers whose products they buy could not do. In direct touch with the producing market they can give their customers the benefit of a thorough knowledge of market conditions, purchase the latest styles and types, and as intermediaries between buyer and seller afford a convenient agency for the proper adjustment of disputes between them.

Although these merchants represent the foreign buyer, they frequently offer a valuable adjunct to American firms willing to spend time and money in demand creation abroad through advertising and traveling salesmen. Manufacturers sometimes send so-called "specialty salesmen" along with the salesman of the commission house, or alone, to teach foreigners how to use or operate their product as well as to push its sale. But the final sale and all details thereof go through the commission merchant. From this it may of course be but another step to the entire elimination of the commission house. It is now estimated, however, that in normal times from 50 to 70 per cent of our total exports are sold through these houses.[22]

No one commission house is likely to prove best for a single manufacturer: one will have a good trade in one part of the world, another in another. In some parts of the world, such as Europe and South America, merchants prefer not to deal through American commission houses,[23] whereas the trade of the Far East, of Australia, and South Africa is largely carried on through them. In conclusion it should be said that large numbers of such houses, as well as the merchants to be described next, are also important importers of products from the countries in which they sell, but as importers, they are likely to represent their foreign clients rather than the American buyer. They often sell raw materials for their clients and buy finished products to send to them.

(2) **The Export Merchant.**—Whereas the commission merchant is the chief medium through which American goods reach the foreign market, the export merchant is the principal agent through which English and many German prod-

[22] B. O. Hough, *Practical Exporting* (1919), Chap. VIII; E. W. Zimmerman, *Foreign Trade and Shipping* (1917), p. 112.

[23] This applies only to the general trade in manufactured products. Much of our export of cotton and grains is made to Europe through specialized dealers working only in a definite, limited field, as grain, or cotton. Many of these do business as commission houses.

ucts are exported. Although, as previously stated, many export houses sometimes act as merchants, sometimes as commission houses, and perhaps, as manufacturer's agents as well, the distinguishing characteristic of the export merchant is the fact that he buys and sells on his own account. Thus, so far as the selling activities of the American manufacturer or producer are concerned, it is the same as though he were selling to a jobber. The export merchant's profit results from the margin between the cost of goods and the expense of marketing them and the price which he receives. These merchants have an especially important field in undeveloped markets where they sometimes have a string of warehouses and even of retail stores. In England and Germany they exercise a very important function in financing foreign firms which are desirous of buying goods in the country in which the merchant is located. In England, in fact, some of these merchants have practically become financial specialists who loan their credit to foreign importers for the purchase of goods in England. The merchant pays the bills and takes in turn the notes of the foreigner. He often has no interest, directly, in the goods bought. The German houses, on the other hand, keep the trade more closely in control and themselves ship the goods to the foreigner, on credit, frequently making every effort to keep their clients from knowing the source of their product. As American trade develops, with greater demands for credit, it is likely that such merchants will grow in importance and will eventually assist in financing our trade.

(3) **Manufacturer's Agent.**—It is evident that neither the commission merchant nor the regular export merchant necessarily gives any real selling service to the product of particular producers: the one represents the foreign buyer in his purchases in this country; the other buys and sells on his own account. But as our foreign trade is passing from the export of staples alone, and manufactured specialties are developing which can be successfully sold only when demand is created for them, a more difficult selling problem

faces the American manufacturer who would win out in the foreign field. Consequently some manufacturers are marketing directly. But as most manufacturers cannot afford a sales organization of their own reaching all possible markets, a type of export middleman has developed to meet their needs, a middleman who renders a real sales service for the seller. These middlemen are known as manufacturer's agents or manufacturer's export agents.

The function of such a firm is to accept agencies for a number of manufacturers, usually in some one line—as textiles, electrical machinery, boots and shoes, dry goods—and, specializing in the sale of these commodities, to exploit the foreign market in the interest of its clients' wares. Such an agent will take over not merely the selling function but determine credit ratings, care for shipments, and make proper financial arrangements. For its services it charges a commission, usually a high one, as it performs many and expensive services. This is a comparatively new development and sometimes such service is sold by commission houses. This type of middleman is of growing importance and certainly offers a most logical method for disposing of the product of manufacturers who must create a demand for their product but are not able or willing to go to the trouble or expense of doing it themselves. In the opinion of at least one expert this is "the coming method of doing business through an intermediary." [24]

(4) Coöperation in Export Trade.—Somewhat similar to the work of the export agent are the functions performed by the combinations in export trade made legal by the Webb Act of 1918. Such associations are founded by manufacturers of related lines for the purpose of providing and controlling their own selling agencies. They are likely to perform functions similar to those just described.[25]

[24] E. E. Pratt, "Determining Export Policies" in the Business Training Corporation, *Course in Foreign Trade,* Vol. 3, pp. 18–20.

[25] See Eliot Jones, *The Trust Problem in the United States* (1921), Chap. XVI, and W. F. Notz and R. S. Harvey, *American Foreign Trade* (1921), Chaps. XI–XVII.

CHAPTER X

DIRECT MARKETING OF MANUFACTURED PRODUCTS

I

Tendency Toward Direct Marketing.—Previous chapters have shown that the trend toward large scale production, with its resultant demand for large markets and with keen competition in those markets, has forced manufacturers to exercise a more direct control over the distribution of their merchandise. There is a distinct tendency in the manufacturer's market to reduce the number of middlemen. This tendency has resulted in the main from the pressure of competition, which is frequently so great as to compel the manufacturer to stimulate and control the demand for his product. With competition keen the effort to control must be continuous lest the efforts of others divert the demand already created. The pressure of competition also forces manufacturers to great efforts in order to gain the advantages of large scale operation. These larger units in turn have made competition still more keen and so have become a further incentive to direct marketing.[1] Furthermore, with their organizations growing in

[1] Since 1907 a tendency toward integration of marketing functions has been present in the cotton manufacturing industry which has been caused by "the necessity for perfecting the merchandising organization, the desire of the selling house to justify its existence, and the narrowing of the margin between the cost of raw material and the selling price of the cloth. The fundamental cause, the one into which practically all of the others can be resolved, is keen competition arising from the increase in the size of the establishments and the growth of the cotton manufacturing industry in the South."—M. T. Copeland, *The Cotton Manufacturing Industry of the United States,* p. 173.

size and in financial power, and with the problems of organization for production nearer solution, many manufacturers find themselves in a position to devote their time and their growing financial resources to the problems of market control. A growing number of firms are, consequently, able to launch into the field of distribution and to attempt the direct control of their market.

Some manufacturers have found that they can sell more cheaply and more effectively if they eliminate the selling house and sell to jobbers and manufacturing consumers through their own sales organization. Some find that jobbers do not create a sufficient demand for their products and are perhaps unwilling to make the attempt. Particularly do those who sell their goods under brands which compete with the jobber's private brands, and those with new brands of goods of a kind for which the jobber has already created a large demand, meet with this obstacle.[2] Again, manufacturers of specialties find that the jobber is often, not merely unwilling, but unable to make the special selling effort that is essential to placing their products on the market in large volume. Other manufacturers have even gone so far as to control their own retail organization, or in other ways to sell directly to consumers.

OUTLINE IV. TENDENCIES WITH GOODS FOR PERSONAL CONSUMPTION

Kind of Merchandise:	*Sold by Manufacturers to:*
Unbranded staples	Jobber
Jobber's brand of staples	Jobber
Manufacturer's brand of staples	Jobber
Manufacturer's brand (bought in large volume by individual retailers)	Retailer
Specialties	Retailer
Specialties (when individual sales are large)	Consumer

Jobber Losing Ground.—Whereas, in the early years of the factory system the common method of distributing staple,

[2] See pp. 173–177.

factory-made, consumption goods was through the selling agent and jobber to the retailer, the prevailing method to-day is through the jobber and retailer alone. And even this system seems to be losing ground. For the necessity to create demand, which has developed with the increased competition in the sale of staple products, and the growth of new products of the specialty type which have to be "sold," have led the manufacturer to take over much, sometimes all, of the task of demand creation. When this is done there is left to the jobber and retailer only the work of physical distribution, together with some phases of financing and risk-taking. But even these fields are sometimes encroached upon until some manufacturers have entirely eliminated the jobber and often the retailer from their marketing plans. The distribution of typewriters, adding machines, cash registers, automobiles, meat products, men's factory-made clothing, and shoes, affords many examples of one or both of these tendencies.[3] Each of these products is one in which the individual sales by the manufacturer to retail dealer or final consumer, as the case may be, amount to a substantial sum. And, consequently, the manufacturer can afford to approach the buyer directly, and the buyer can afford the time necessary to see the salesmen and care for the other details of purchase. When the individual purchases are small, however, neither the manufacturer nor the buyer desires to deal directly. And it has been shown that it is in such cases that the middleman becomes important.

The problems of physical distribution have also been important in bringing about direct marketing. Particularly has the national distribution of perishable foods led the manu-

[3] "As an illustration of the number of methods of distribution employed by large producers, it is a fact that out of 102 concerns doing national advertising, 17 sell to jobbers, 18 to retailers, 11 through agencies, and 8 to consumers direct; 29 sell to both jobbers and retailers, 13 to retailers and through agencies, 4 to jobbers, retailers, and through agencies, 1 to both consumers and retailers, and 1 to jobbers, retailers, and consumers."—*Printers' Ink,* Sept. 12, 1912, quoted from Paul H. Nystrom, *The Economics of Retailing* (1915), p. 37.

facturers of that class of merchandise to market directly or to control physical distribution closely. Such producers as the meat packers, the National Biscuit Company, the Loose-Wiles Company, and some candy manufacturers have developed their own machinery for physical distribution.[4] The packers, for example, because their product is so perishable find it necessary to study the market closely and continuously in order to keep it properly supplied. This, they have found, can be done successfully only when they can feel the pulse of the market through their own distributing plants. The breakfast food companies, on the other hand, have usually been content with a close control over the jobber's service.[5]

II

Jobber Service Reviewed.—If, now, the services of the jobber to the manufacturer are summarized they will serve as a basis for ascertaining those conditions which determine, from the manufacturer's point of view, the desirability of placing the jobber in the channel of distribution, as well as those conditions which determine whether his efforts shall be supplemented or eliminated.[6] Very much the same arguments apply in determining the manufacturer's relation to other middlemen. From the point of view of the manufacturer the first and fundamental office of the jobber is to sell the manufacturer's product. So essential is this service, and so likely is the manufacturer to be critical of it, that any break between the manufacturer and the jobber is likely to

[4] In 1918, 85 per cent of the grocery stores reporting to the Harvard Bureau of Business Research bought all of their crackers and bakery goods (save those deteriorating rapidly and so of local production) from manufacturers, 50 per cent purchased all meats from butchers and packers, and 40 per cent bought candy only from manufacturers. For this and other data see Harvard Bureau of Business Research, Bul. No. 13, *Management Problems in Retail Grocery Stores,* pp. 27–30.

[5] *Op. cit.,* p. 28.

[6] This point is discussed from the retailer's point of view on pp. 134–137, 215.

begin at this point. Of very great importance, also, is the work of the jobber in carrying stocks. This necessitates buying and storing in large quantities so that the product will be constantly at hand to fill orders. It involves the prompt filling of orders, for the merchandise itself and for repairs, renewals, or supplies. This is a broad service varying greatly in its importance to the successful distribution of different products.

In the service just described it is clear that the jobber performs the primary market functions. But his service with the auxiliary functions is no less important. He may aid in financing by buying stocks, supplying a sales organization, advancing funds to the manufacturer, and giving credit to the retailer. He may help with the risk function by buying or contracting for the manufacturer's products and by stocking them, as well as in giving credit to retailers. He thus carries much of the burden of the risk involved from possible physical deterioration, demand failure, and credit losses.

Jobbers and Demand Creation.—The most important cause for the elimination of the jobber is the intense competition for sales. Because jobbers either will not or cannot give the service—demand creation; price maintenance; prompt delivery of products, parts, repairs, renewals, and supplies; storage, etc.—which manufacturers feel that they must have to enlarge their markets and retain them, the manufacturers have attempted to perform these services themselves. Jobbers generally handle a wide variety and a large volume of products. In serving the retailer they endeavor to supply any commodity which may be called for. They handle, consequently, thousands of articles in the grocery and hardware trades, hundreds of articles in the drug, dry goods, musical instrument, and paper trades, and large numbers in many other lines. The selling effort of a jobber must, consequently, be divided among many different kinds of articles and among several competing articles of the same kind. It therefore follows that the average commodity receives no special sell-

ing effort on the part of the jobbing organization. Such sales as are made are due to a large extent to the fact that the article is shown in the catalogue, that it allows a good margin to the retailers, or is particularly satisfactory to the consumer and so helps to build up the dealer's trade.

This is the condition which the manufacturer faces, unless some special reason exists for the jobber's pushing his particular product. Such reasons may arise from the fact that the article offers a wider margin of profit than competing articles; or that it is of such quality and gives such satisfaction in use that consumers demand it, and, consequently, it is easily sold; or from the fact that it bears the jobber's own brand. Again, the product may be branded by the manufacturer, but may be satisfactory as to margin and quality; or it may be a product for the sale of which the jobber is given an exclusive agency for a particular territory. Finally, it may be merchandise for which the manufacturer through skillful sales effort has created such a demand that the jobber finds that a minimum of sales effort on his part will achieve large results.

Products the Jobber Sells Best.—These facts have an important bearing on the kind of products that can be advantageously sold through the jobber. They must usually be staple products commonly demanded by consumers, and consequently by retailers. They must be products for which it is not difficult to create a demand, or for which the producer has created a demand. Products which are already demanded are looked upon with the greatest favor by the jobber. He is very generally indifferent to a new product, particularly if it is but a new brand of an old commodity. He is likely to have in his stock several of the same kind, and so far as he is concerned there is little need for another. His interest can be aroused only if the new product is easy to sell, or offers a wider margin than other products of equal quality which he is already distributing. Otherwise, to take on another product simply ties up more capital in stock; and, if he really tries to sell it, involves effort which may not increase his

total sales at all, but merely divert demand from one of his products to another. Even if the total demand for this kind of product is increased, it may be at the expense of other kinds of products, and in any case the cost of creating the new demand may offset any anticipated profits.

The Jobber and New Products.—A new product, consequently, is not usually well sold by the jobber. It will take too much of his time to give it the kind of sales effort necessary to create a suitable demand. This he is unwilling to give, and, furthermore, he may be unable to give it. He does not as a rule advertise individual products and his sales force does not have the time to devote to new products without slighting the many others which it is organized to sell. In addition to this, the jobber's salesmen may not have the qualities necessary to sell the new article, particularly if it is a specialty. It follows, then, that if a product has real merit, if it is of a kind which is in demand, if it allows a good margin to the jobber and the retailer, it will be sold well. But if no demand exists for it, and it is therefore hard to sell, the jobber's efforts alone are not likely to prove successful. In fact, the jobber is likely to refuse to handle it at all.[7]

Jobber Brands.—The private brands under which some jobbers sell are also a cause for difficulty. For it is natural to assume that a jobber will push his own brand rather than a similar product branded by a manufacturer. The reasons for branding by the jobber were discussed in Chapter VIII and the advantages arising from the general use of brands will be considered in Chapter XIX. It is simply necessary to point out now that when a jobber has a branded product of his own he may well refuse to handle a competing product branded by a manufacturer. And if he does, the manufacturer is likely to be dissatisfied with the results.

The Manufacturer Who Does Not Brand.—The manufacturer who does not brand or advertise his product and

[7] L. D. H. Weld, "The Economics of Advertising," *Printers' Ink*, Vol. 104 (July 11, 1918), p. 101.

who sells to the jobber is not in a strong strategic position. This is particularly true if his article is easily duplicated, as is true of most staples. Inasmuch as his product goes into retail channels as the product of the jobber, and not under his own name, such a manufacturer, unless he is particularly capable as a producer, is likely to lose his market at any time to another producer who will sell to the jobber at a lower price. The jobber's success is not tied up with the success of any particular manufacturer whose products he buys. He has, consequently, little interest in the success of the manufacturer. From this it follows that if the individual manufacturer would increase and control the market for his product he must sell it himself, or else utilize some method of tying the interest of the jobber more closely with the success of his own product. It is for this reason that manufacturers who depend entirely upon the jobber for a market for their product, commonly remain small and unknown, unless they have peculiar advantages in production. Their business, likewise, is precarious, for their market is a few large jobbers, even a single jobber, and such a market is easily lost. These facts have led many manufacturers, even of staple lines, to brand and advertise their products. But many jobbers resent the attempts made by the manufacturers to "help" sell, and their efforts to control the marketing of their product. These efforts include, for example, advertising, sending out salesmen directly to retailers, and endeavors to control the price policies of the dealers involved after the product has been sold by the manufacturer. Under such conditions some manufacturers have been forced to try their own hand in the market or else to succumb before those who do.

Summary.—We may conclude from what has gone before that staples, goods of a kind for which a demand among consumers need not be created, are the products most advantageously handled by jobbers. It has likewise been shown that specialties, products for which a consumer demand must be created, are not likely to be well sold by jobbers. It has

been further shown that individual manufacturers of staple products cannot expect the jobber to give to the sale of their particular product the selling effort which they desire. This is particularly true when the jobber sells competing goods under his own brand. These conditions lead to direct sale by manufacturers. Such direct selling is of two kinds: one to create a demand for a new kind of product, and the other to create a demand for a particular manufacturer's product, but of a sort already demanded. But these simply show the two extremes. There are perhaps few staple products for which more demand may not be created; and there are few specialties which are not manufactured by more than one producer, and which to many consumers do not assume the importance of staple commodities. The average manufacturer is interested, consequently, both in creating a larger demand for his own product, and in getting as much as possible of the existing demand and of any newly created demand for that particular kind of product.

III

Cost the Determining Factor.—The interest of the manufacturer in enlarging, retaining, and controlling his market would naturally lead him to sell his product directly to the retailer, if not to the final consumer. But the element of cost may deter him to such an extent that he can simply supplement the efforts of the jobber in some way. So much is heard of the "middleman's profit" that one is likely to be led astray on this point and to feel that great economies result from lessening the number of independent agencies in the marketing chain.[8] There is reason to believe, however, that the middleman's profit is not usually large.[9] It is probably no greater

[8] At least one careful investigator feels that often the cost has been increased as a result of the elimination of middlemen. See L. D. H. Weld, "Marketing Agencies between Manufacturer and Jobber," *Quarterly Journal of Economics,* Vol. XXXI (Aug., 1917), pp. 571–573.

[9] See pp. 288, 511–519.

than the additional profit the manufacturer would feel that he must make to cover the additional investment, trouble, and cost which he must bear if he performed his own sales activities. It is expensive to run an extensive sales organization; and a large amount of capital must be supplied by the manufacturer who markets around the middleman, for he must duplicate the middleman's machinery and is likely to have a smaller volume of business in a given territory than has the middleman with his wider range of goods. He is also likely to have difficult problems of administrative control. The net result, therefore, may well be a higher unit cost of selling. Even though he might consider his sales organization as supplemental to his producing activities, no wise business man will invest willingly in a sales organization without the expectation of receiving his usual profit from the increased investment. It takes so much capital to start such a project —the costs of operation are so great, the risks to be borne so many, and the difficulties to be met so numerous—that many manufacturers hesitate to undertake the selling of their own product even when they are dissatisfied with existing agencies. Other manufacturers have failed in making the attempt; some who have made the venture now wonder if they have not made a mistake; and some have already returned to the jobber.[10]

[10] "Out of 139 manufacturers who stated whether they had changed their selling methods during recent years, twenty-three said they had changed from selling through jobbers to selling direct to retailers, and fourteen said they had changed from direct sale to selling through jobbers. The number who had gone back to jobbers is rather large as compared with the number who had forsaken them, but this does not affect the general truth that advertising tends to lead to more direct sale.

"Most of those who had gone back to jobbers had expected to sell through this channel in the first place, but when they put their branded goods on the market, jobbers had refused to handle them, and it was therefore necessary for the manufacturers to go direct to retailers in order to build up their distribution. After an effective demand had

An Illustration.—To make this aspect of the problem clear, let us contrast the jobber with the manufacturer of, say, a grocery product.[11] The grocery jobber handles most of the commodities the ordinary grocer wishes to carry, and an order usually covers a large number of products totaling a respectable sum, so that the expense of the salesman's call, the determination of the credit risk, delivery, and the other expenses connected with the sale are spread thinly on each product sold. The salesman of the manufacturer of any one of these products will probably not sell many more items of his product over a period of time than will the jobber's salesman. But the expense of the manufacturer's salesman's call and all other expense connected with the sale must be borne by the single article.

It is obvious that much of the reasoning which has just been used does not apply where the facts differ. They would differ, for example, (1) when a single line of goods—such as shoes, men's clothing, and meat—is the main product sold by the retailer who buys them; or (2) in cases where the value of a single purchase is great enough to warrant the buyer's seeing the special salesman of that particular product—as with typewriters, cash registers, adding machines, automobiles, etc.; or (3) when the manufacturer makes or distributes so wide a variety of products that his line is comparable to that of the jobber. This was the case with the grocery business of Armour and Company before they divided their grocery business after the "consent decree" of 1920.[12] In fact, there is reason to believe that the packers' costs for distributing

been established, their goods were then put through the jobbers, who were glad enough to handle them."—L. D. H. Weld, "The Economics of Advertising," *Printers' Ink*, Vol. 104 (July 11, 1918), p. 101.

[11] This is a rather extreme illustration to bring out the point, for in but few lines do jobbers handle so many products and on so small a margin.

[12] Even with groceries eliminated this continues to be true of the larger packers because of the wide range of merchandise they sell.

groceries were less than the costs of the wholesale grocers.[13] But it is only when the manufacturer handles a "line" of groceries, such as canned goods, pickles, cookies and crackers, that he can compete with the grocery jobbers on a cost basis. In fact but few manufacturers even of a "line" of grocery products have thus far attempted direct sale to retailers.

Manufacturers Must Duplicate Service of Jobber.—The jobber is in close contact with his trade, and makes frequent sales calls so as to get orders whenever the merchant has need;[14] his warehouse is near at hand so that deliveries can be made on short notice and economically. He buys in large quantities and breaks up his large purchases near the retail market, thereby saving transportation costs. In close touch with his customers he can establish a personal clientele and watch credits and collections with great care. The manufacturer who would market directly to retailers or consumers must perform this work or labor at a great disadvantage. In order to meet this necessity the manufacturer who does not use jobbers commonly establishes branch houses,[15] such as those found in the sale of canned foods, meats, and meat by-products, National biscuits, Heinz pickles, farm implements,

[13] See *Report of the Federal Trade Commission on the Meat Packing Industry,* Part IV (1919), pp. 50–52.

[14] "Of all the wholesale grocers selling to local trade, 9 per cent called on their customers daily, 9 per cent three times a week, 16 per cent twice a week, 60 per cent once a week, and the remainder once in two weeks. . . .

"Among the wholesale grocers selling to customers within 25–300 miles, 52 per cent called on these customers in the outside districts once a week, 42 per cent once in two weeks, and the remainder once a month."—Harvard University, Bureau of Business Research, Bul. No. 14, *Methods of Paying Salesmen and Operating Expenses in the Wholesale Grocery Business in 1918,* p. 19.

[15] "National jobbers," however, labor under much the same difficulties and have also been forced to establish branches. See E. C. Simmons, "A Half Century in Hardware," *Iron Age.* Vol. 77 (Jan. 4, 1906), pp. 145–148.

automobiles, typewriters. In other words, the manufacturer must practically duplicate the jobbing service in the performance of all functions. There are, furthermore, disadvantages which are not felt by the jobber. For the manufacturer must have hired employees in charge of his branches and the sales forces are likewise removed from immediate supervision. This necessitates the introduction of branch accounting and supervision, with the attendant costs and the loss in effectiveness which the use of salaried supervision of distant business involves.

Advertising and Direct Marketing.—One of the first steps taken by a manufacturer who desires to control his market is likely to be an attempt to enlarge demand through advertising.[16] Then in order to follow up the advertising and make certain of results he is likely to consider it necessary to take over other jobbing functions. He may even find it desirable to take over the physical distribution of the merchandise. The natural tendency, once the movement is started, may well lead to the entire elimination of the jobber's services. Some manufacturers feel that they fare better when their own trained men sell and distribute their products. They discover that many retailers, particularly the larger ones, prefer to buy "over the head" of the jobber, that jobbers are not always willing to keep large enough stocks in storage to supply the demand, and, finally, that direct selling gives a control over quality of service, general policy, and prices that it is difficult to attain through the jobber.

The very fact that the manufacturer is creating a demand for his product, and is endeavoring to control the activities of the jobber who distributes it, may arouse the antagonism of the jobbers to such a degree that the manufacturer will feel forced to take these further steps. On the other hand, manu-

[16] Even at this point the manufacturer must decide whether he will "go around" the functional middlemen of the advertising field, the advertising agency, or whether he will use the services of one middleman in eliminating those of another.

facturers are sometimes compelled to create a demand for their product before the jobber can be induced to stock it, because the latter does not feel that it is worth his while to sell it with his own sales organization.[17]

It is not clear that the cost of distribution is lowered when middlemen are eliminated.[18] One of the greatest costs of the distributive organization of the manufacturer who sells to retailers and endeavors to create a consumer demand for his product, is the national advertising bill, an expense that is largely paid by the manufacturer himself. It is not as yet an important cost to wholesale middlemen.[19] The cost of direct demand creation whether by advertising or salesmen is generally a very heavy charge and one which must be financed by the manufacturer if he sells his product himself. On the other hand, it may well be true that the sales department of a large firm, especially of one handling a large "family" of related products, can operate as economically as any jobbing house selling the same articles, and the results to the manufacturer may prove to be far superior.[20]

Conclusion.—Dissatisfaction with prevailing methods and channels of distribution is at the base of most attempts to go around middlemen. The reasons for this dissatisfaction have been reviewed. And it has been further shown that many manufacturers have their production problems sufficiently routinized to devote their individual time and attention to marketing. Finally, a growing number of manufac-

[17] See L. D. H. Weld, "The Economics of Advertising," *Printers' Ink*, Vol. 104 (July 11, 1918), p. 101.

[18] See Chap. XIV.

[19] Some "national" jobbers, however, brand and advertise their products on a national scale, and some so-called manufacturers may have their products made in large part by other manufacturers, but brand them. Ingersoll watches were originally made in this way.

[20] See E. B. Merritt, "How Armour & Co. are Solving their Vast Selling Problem," in *Printers' Ink*, Jan. 23, 1913, pp. 3–10; and "Reasons back of Armour's Selling Policies," in *Printers' Ink*, Feb. 27, 1913, pp. 3–8.

turers have reached a position of financial power, and increased financial resources tend toward direct marketing. This is for two reasons: first, the manufacturer is thereby relieved from dependence upon the middlemen for financial assistance, direct and indirect.[21] Second, the initial costs of initiating the direct marketing of a product—particularly one which is sold in small quantities to final consumers—are likely to be so great that only a manufacturer with large financial resources can undertake it. This is true in large measure even when manufacturers sell to retailers, and do not try to retail their product. It is especially true when the manufacturer's product is but a small part of the dealer's stock in trade.

Nevertheless, even though marketing ability and financial resources are at hand, and even though a manufacturer may be dissatisfied with existing means of distribution, but few manufacturers completely supplant existing agencies with their own. Most of them find that to market their product directly would be so costly that they could not compete on a price basis with those who utilize existing agencies. Seldom indeed does the manufacturer eliminate the retail dealer. He may do his own jobbing. But more commonly he supplements the dealer's efforts and coöperates with both jobber and retailer.

As the basic functions of marketing can be broadly divided between those which bring about an exchange of ownership, those concerned with physical distribution, and those which are auxiliary to exchange and physical supply, so manufacturers frequently undertake for themselves some aspects of their marketing problem and leave the others to established middlemen. When a manufacturer carries on an advertising campaign for his product, or sends his own salesmen to push it among the trade, he often continues to have it delivered through jobbers and retailers, and even through selling houses to the jobber.

[21] See pp. 342–345.

On the other hand, when the jobber or commission firm takes orders for products which are delivered by the manufacturer, the latter is caring for the physical distribution of his product, the middleman for demand creation. When there is a high degree of coöperation between manufacturer, jobber, and retailer, each may perform part of the work of demand creation, as well as part of the work of physical distribution, financing, and risk-taking. The manufacturer may utilize national advertising and salesmen to create demand; the jobber, in addition, will push the article through his sales organization; and the retailer will utilize local advertising and his store organization. Carloads will be sent from the producer's warehouse to retailers on orders which the jobber takes; the jobber will store enough of the product to supply small shipments and rush orders; and the retailer in each case will attend to the final sale and delivery of the product to the ultimate consumer. Middlemen may advance cash to the manufacturer, pay cash on delivery, or receive credit, and other means of dividing the work of financing and risking may prevail as the product goes on its way.

CHAPTER XI

RETAIL DISTRIBUTION

The Retail Service.—The service of retailing is to supply the individual consumer with the goods he desires for personal consumption. To do this the retailer must anticipate the needs of his trade, assemble the goods desired, store them, and have them ready to be delivered from convenient points. He must finance these operations, bear the risks involved, and create a demand for his services. The retailer is the truest type of "areal" middleman, for he performs all of the marketing functions.[1]

To retail meant, originally, to cut again, to divide into pieces; and this definition suggests an important economic justification for retailing. For most retailers buy in quantities the products which they anticipate the final consumer will demand, and divide these large quantities into the smaller amounts the consumer is willing to purchase. It is usually too expensive and too troublesome for the manufacturer to sell "direct," or for the consumer to buy "direct," for personal consumption. The individual exchanges are too small. By assembling at convenient points, from numerous sources, the various kinds of products which consumers demand, the retailer enables the consumer to purchase a variety of goods in small amount, on short notice, and with a minimum of trouble. Incidental to these services, but of growing importance with the increasing variety of consumer desires and the decreasing storage space in the average home, is the fact that the retailer finances the purchase and arranges for the transportation of goods to points near the consumer and stores them there

[1] A. W. Shaw, *Some Problems in Market Distribution*, pp. 76 ff.

until they are wanted. He also bears the risk of style changes and of physical deterioration, and extends credit to the consumer.

I

Types of Retail Establishment.—There are five outstanding types of retail establishment in America. In the order of their rise to importance they are: (1) the general store, sometimes called the country general store, because of its prevalence in rural communities, (2) the "unit" store, (3) the department store, (4) the mail order house, and (5) the chain store. The trading post of early American history has been entirely superseded in the United States, although it survives in the trading post of the trading companies of the far Canadian north. Coöperative stores cannot be considered important in this country, although they grew in importance during the World War.[2]

(1). The Country General Store.[3]—Of modern retail stores the country general store was the first to develop, and, although now of decreasing importance, it is still found at village cross roads, in small country towns, and in larger towns remote from city stores.

"The general store is perhaps the most typical American development in merchandising institutions, since very few like it are to be found anywhere else in the world. The old-time general store distributed dry-goods, hardware, groceries, drugs, and even liquors. It was frequently the location of the post-office, and served as the village social center for the men. The old box stove, the rickety chair or two, the near-by barrels, and the sawdust spit-box, were the almost universal furnishings that equipped it for its social services. Here politics, religion, and neighbors were discussed. It may not be too much to say that here the tariff question, the government bank, internal improvements, foreign policies, and other important government matters were ulti-

[2] The coöperative movement is discussed in Chap. XIII.

[3] The buying of local produce by the country general store was discussed briefly on pp. 49–50.

mately settled. . . . With all its inefficiency, its wasteful methods, and its shortcomings, as a retail establishment, it must be said that it successfully served its day as probably no other type of institution could." [4]

But as the standards of consumption improved and became more various, and as new processes of production turned out larger and larger varieties of products, as better roads, suburban trains, and superior communication facilities appeared, specialization developed in the retail business and the unit store emerged, a store which specialized in the sale of particular classes of goods.

(2) . **The Unit Store.**[5]—The unit store is to-day the prevail-

[4] Paul H. Nystrom, *Economics of Retailing* (2d ed., 1919), pp. 23–24.

[5] This is a term used by Professor M. T. Copeland in a paper "The Scope and Content of a Course in Marketing," read before the Association of Collegiate Schools of Business in May, 1920, and printed in the *Journal of Political Economy,* Vol. XXVIII, No. 5 (May, 1920). He states: "A unit store is a store without an elaborate departmental organization that is owned and managed as an independent unit for the sale of goods through personal salesmanship. Unit stores are used most extensively for the distribution of merchandise, such as groceries, hardware, agricultural implements, shoes, men's clothing and furnishings, jewelry, cigars and tobacco, and drugs.

"Unit stores furnish the most numerous outlets for many kinds of merchandise. They provide the only means whereby large numbers of consumers can be reached regularly. They are adaptable to the service requirements of their patrons. Frequently the proprietor of a unit store has built up a strong personal clientèle. The market for merchandise distributed through unit stores is not dominated by a few large powerful buyers.

"A manufacturer who elects to distribute his product through unit stores, however, encounters difficulty in inducing a large number of individual retailers to handle his product effectively. While there are many notable exceptions, nevertheless a substantial number of unit stores are not operated efficiently. The selection of this type of store as the marketing agency, therefore, presents a series of difficult, complex problems."

A more minute discussion than it is possible to give here is found in that article, pp. 381–387. The whole article is reprinted in M. T. Copeland's *Marketing Problems* (1920), pp. 1–23.

ing means of retail distribution in both town and city, and, although it is familiar to all, later discussion will be clarified if its main characteristics are briefly enumerated at this point. Such a store is owned and operated as an independent unit. It handles a restricted line of products—meat, groceries, drugs, hardware, jewelry, coal, candy, dry goods, millinery, athletic goods, confections—and consequently need not be elaborately departmentized. The reasons for the strength of the unit store in its competition with department stores, chain stores, and with mail order houses have been described as follows: [6] (*a*) convenience to the customer, as illustrated by the "corner" grocery store; (*b*) complete stocks, which can be kept more complete than those of the average department store or mail order house. This is particularly true of the larger city specialty stores; but it is also true of rural or suburban stores, since they are usually competing with small department stores or country general stores. Further advantages are: (*c*) the personal service of the proprietor to the public, which frequently results in his building a strong personal clientele, over whose purchases he possesses a large influence; (*d*) the possibility of rapid turnovers, which on the average, however, appears not to have been realized; and (*e*) low expenses. Recent investigations from a number of sources seem to indicate that the selling expenses of department stores at least are higher than the best, perhaps than the average, of competing specialty stores.[7]

The same source points out various disadvantages of the unit store. First of these is (*a*) the limited trade area from which the neighborhood store in particular draws, and which precludes the possibility of a large business. (*b*) Newspaper

[6] Ralph Starr Butler, *Marketing Methods*, pp. 62–69. Butler calls them "specialty" stores, but this term usually has a narrower meaning, referring to a type of urban unit store which utilizes aggressive sales efforts or specializes in catering to a more or less exclusive clientele.

[7] See, for example, Nystrom, *op. cit.*, pp. 263–266. This point will be discussed again in Chap. XII.

advertising cannot be used to the best advantage, for the cost of effective advertising in view of the limited patronage—particularly of the neighborhood store—is often far too great in relation to sales to warrant the expenditure. This is particularly true of advertising in large newspapers which have a much wider circulation than the trading area of the small store. (*c*) To the person desiring to buy many articles the limited line carried by the unit store is a disadvantage as compared with the many lines of the department store, or even with a varied line of goods under one roof or in one catalogue of the mail order house.[8] (*d*) Certain buying weaknesses also exist: many manufacturers give greater quantity discounts to mail order, chain, and department stores; and through their extensive buying organizations larger establishments are also better able to keep in close touch with the market, and to gain any advantages which superior market knowledge may yield. (*e*) Unit stores are liable to be poorly managed. Although this is not an inherent weakness it is very common. In fact, it is perhaps true that the difference between the small store and its large competitor is due fundamentally to the superior managing ability of the proprietor who started the latter. If the owner of the unit store were a better manager, he would very likely branch out into larger lines of merchandising. Recent investigation shows, nevertheless, that many small unit stores are operated with remarkable efficiency.[9]

The unit store is the "regular" dealer at retail. And the

[8] Many housewives who are within shopping distance of good stores of the specialty type prefer to order many of their goods from mail order houses because less time is necessary to select the goods from the catalogue and make out the order than would be taken in going from store to store looking over the stocks of each kind of article bought. A similar advantage is offered by department stores.

[9] See the report of the Northwestern University Bureau of Business Research on the retail clothing industry—*Costs, Merchandising Practices, Advertising and Sales in the Retail Distribution of Clothing* (1921)—hereafter referred to as *The Clothing Survey*.

great bulk of staple commodities, as well as of many specialties, is distributed through such stores.[10]

II

Technical Aspects of Retail Development: Transportation and Communication.—Important technical developments of the last half century have had a marked effect on both the methods and policies of retail stores. One of these developments is the improvement of transportation and communication. Although these improvements are usually thought of as they have affected the wholesale trade, both domestic and foreign, they have influenced retail trade as well. Because of these changes, it is now unnecessary for the retailer to stock heavily in normal times. A call on the telephone, a letter, or a telegram to the near-by distributing agency of jobber or manufacturer serves to start goods on the way, and they are soon delivered by freight, express, parcel post, or motor truck. There is thus made possible to the retailer a very close correlation between supply and demand.

But these improvements have also developed new kinds of competition. Department stores have become important in our cities, and city stores generally have gained trade which formerly went to the country general store and to the unit store in the small towns. The products of remote parts of the world have been made available, stimulating new kinds of retail business and rendering existing trade more complicated. A wholly new type of business, the mail order house, is rendered possible. And, finally, this development of communication and transportation has changed the consuming public to one which, educated through travel and the press, has acquired a more varied and a more exacting taste.[11]

[10] The nature of large retailing will be described in the following chapter, and the remainder of this chapter will be devoted to the general conditions and problems of retailing.

[11] This has had its effect on the character of goods sold and the nature of the service provided. In explaining the "drift" of consumers toward

Manufacturing Progress and Retailing.—Rapid progress in manufacture has likewise had marked effects in the retail field. New goods are constantly brought on the market, either as modifications or duplications of commodities already on the market or to meet heretofore unsatisfied and unrecognized wants. Among such articles are the safety razor, vacuum cleaner, automobile and motor truck, cash register, breakfast foods, canned foods. These new commodities have caused new stores to develop, have necessitated new departments in old stores, and have complicated the retailer's buying and selling problems. With the development of manufactured pharmaceutical products much of the time the druggist formerly spent in preparing prescriptions and providing remedies is no longer needed for that purpose, and to this extent he has become more largely a distributor of pills and patent medicines. But on the other hand modern manufacture has provided the drug store with such side lines as toilet articles, photographic supplies, stationery, "soft drinks," and confectionery. Book stores have multiplied with the increasing growth of the publishing business. The development of canning factories and of packaged products has worked a revolution in the work of the grocer.

The increased variety of goods now offered for sale has also made buying more difficult. And this has helped to continue the jobber as an important feature of the market at a time when improvements in transportation, communication, and the financial status of retailers and manufacturers tend toward his elimination. The increased use of national advertising by

quality merchandise, C. C. Parlin declares it to be due to (1) finding out that good grades of goods are better values in the end, (2) the opportunity of "shopping" in department stores which has made women better buyers, (3) the part national magazines play in carrying style and quality ideas to remote places, so that last season's goods cannot be sold anywhere as up-to-date merchandise, (4) to the fact that women have become educated to the importance of good buying.—C. C. Parlin, *The Merchandising of Textiles* (Pub. by the National Wholesale Dry Goods Association), pp. 33–35.

manufacturers and wholesalers has so stimulated the demand for certain products that the retailer is often forced to carry them against his will, in order to keep the trade of customers who are induced to call for them by the sales efforts of their producers. These advertisers have made the dealer's position even more difficult by means of the propaganda by which they have tried to educate consumers against the substitution of other goods for the advertised product. This increases the variety of such goods he must handle and slows up the turn of his stock, and frequently the profit on these lines is relatively small. Such a condition tends, of course, to offset the advantages which are derived from improved transportation and communication. Furthermore, the products of remote areas have been made available, and these have added further to the variety of goods demanded.

This increased variety of merchandise, together with the fact that a greater volume of goods per capita is being produced than in former years, has caused retailing to become relatively more important. In addition to the new commodities now produced, factories manufacture goods formerly made in the home, and these, when sold back to the home, call for retail service not formerly needed. As clothing—first men's and then women's and children's—butter, and cheese have come to be made in factories, need arises for retail service which was unnecessary when these goods were made in the home. The large scale manufacture of ready-made clothing has added men's and women's clothing departments to department stores and has brought in three new specialty stores, the men's and the women's suit shops and the children's shop. The extension of the factory system to the manufacture of dairy products, the slaughter of meat, the canning of foods, and the manufacture of millinery, has had similar effects. This has increased the number of persons engaged in retailing, as well as the number of retail stores.

Finally, the development of branded, advertised, packaged commodities has also affected retailing. It has removed much

of the trouble of weighing and packaging,[12] has rendered it easier to keep the store neat and sanitary, has changed the selling problem by making sale by description—including the brand of the maker or merchant—take the place, many times, of the unaided efforts of the retailer. This development has also removed from the retailer a large amount of the ultimate responsibility for the quality of the goods delivered. Producers are more and more taking upon their own shoulders a large part of the responsibility for sales and quality.[13]

III

The developments which have just been summarized, together with the increased selling efforts of the manufacturer and the changed methods of wholesaling described in previous chapters, have had important influences on the operation of retail stores. These conditions have rendered the performance of some of the retail functions more difficult than they have been in the past; others are easier to perform.

Buying.—Perhaps the most difficult retail function is buying. This is to be expected. For the service of the retailer is to assemble goods for dispersion to the consumer at the latter's convenience. This usually means, also, at the momentary demand of the consumer. Consequently, the retailer is forced to estimate in advance what these demands will be, and to be prepared to fill them as exactly as he can. To do this, he must invest in stock, or arrange to receive credit from the supply houses. Then, when the goods are bought, they must be stored and prepared for sale. If products de-

[12] The use of packaged goods increased during the World War. See, for example, Harvard Bureau of Business Research, Bul. No. 13 (1919), *Management Problems in Retail Grocery Stores*, p. 31.

[13] These points are commented on at some length in Chap. XIX. By producers in this case is meant those whose name the trade connects with a product. A branded product, for example, may be sold under a manufacturer's brand or a jobber's brand, or it may be branded by the retailer.

teriorate, or if the demand ceases, or is not as brisk as anticipated the dealer will suffer loss. But if he does not have the products his trade calls for he is in danger of losing its patronage. Finally, after the goods are ordered and in his store, the merchant must often deliver them to his customers, to many of whom he may grant credit.

The size of stock which it is necessary to have on hand in order to do a given volume of business in most lines is now much less than it was in the past. Improvements in transportation and communication have brought about the better dissemination of market news, increased the use of traveling salesmen sent out by manufacturers and jobbers, and speeded up deliveries. The first helps the merchant to keep posted on market trends, and, with the last two, has made less essential the former semi-annual trip to inspect and buy goods in the wholesale market. The increasing competition, moreover, of manufacturers with jobbers, and of each of these classes among themselves, has led to a further speeding up of deliveries, as well as to a willingness on their part to deliver small orders at frequent intervals. The merchant can keep in constant touch with his sources of supply, and, with quick deliveries, he need not order in such large amounts as formerly. This not only reduces his financing and storing problems, but it reduces the risk of physical and market loss.

Selling Assistance from Manufacturers and Jobbers.—It has been shown that the retail merchant receives a great deal of assistance in selling from manufacturers and jobbers. A part of this is direct, as illustrated by some of the forms of dealer coöperation: window cards, electros, circulars mailed to his customers, and advice on selling, accounting, and other retail problems.[14] Some assistance is indirect, but often of great importance. The "national" advertising of manufacturers is the chief indirect item. In so far as the manufac-

[14] See P. T. Cherington, *The First Advertising Book,* Chap. IV; and Paul W. Ivey, "The Manufacturer's Marketing Problem," *Administration,* Vol. I (Mar., 1921), pp. 341–347.

turer's efforts are truly effective in linking the retailer with the demand created, the retailer's selling problem is by so much made easier. But to the extent that all competing dealers tend to link up with such efforts, it simply means that the force of competition is felt at other points.

But the dealer need not be a passive factor in selling. For he himself can influence the demand for his goods and services. Good service in performing the various functions of retailing is, for the small retailer, the most important means of doing this. And both large and small dealers utilize modern aggressive selling with great success. Advertising, suggestive arrangement of merchandise, well selected stocks, well performed services, attractive store surroundings, trained salesmen—all are used by aggressive retailers to create a demand for their products and their services.

Tendency Toward Better Service.—Under modern competitive conditions the tendency in retailing has been toward better and better service. The retailer's individual problem is to improve his service, but to do it at the lowest possible cost and to cover this cost through a large enough margin on a sufficient volume of sales. This is true of all service industries, but because of the very great emphasis which has been put on improvement in service in retailing and the effect this has had in increasing the cost of retailing goods, it is well to emphasize particularly this feature of the retail business. This demand for service is due in part to real consumer demand and in part to the limits within which retail competition has been confined by the encroachments of the manufacturer and the jobber upon parts of the retail field—particularly in the packaging, branding, and advertising previously mentioned.

Advertising and the Retailer.—Advertising tends to lower the cost of selling at retail. That this may result from the manufacturer's advertising has already been suggested. The advertising with which the consumer comes in contact in his daily paper, in magazines, on street cars, sign boards, dodgers,

and in the store, tends to lower selling cost because it does more cheaply sales work which would otherwise have to be done by personal solicitation.[15] Furthermore, when the consumer has decided, or has been influenced, in favor of certain goods, it takes far less time to make a sale, and individual sales may be larger in some cases because the goods are thus known. Advertising, moreover, brings new merchandise to the attention of consumers and informs them when and where goods they particularly desire are on sale. And dealers, through advertising are enabled to move slow stock from their shelves with greater speed. In all of these things the time of the clerk is saved, and many sales are made which would be too costly to close if reliance were placed on retail salesmen alone—sales which could, however, never be made without the exertion of sales effort.

New Problems.—But these modern developments are not all to the retailer's advantage. The increase in the number and variety of products has made buying and assembly more difficult.[16] The retailer must now choose from among great numbers of similar products the ones which his customers will demand and like, and which will net him a profitable margin over costs. The development of brands, labels, trade-marks, and especially of products nationally advertised has accentuated the problem. When there are several similar products which consumers ask for, and even insist on having, the stock of goods which the dealer must carry is greatly increased. For to carry a sufficient stock of five brands of shaving soap, tooth paste, or baking powder to meet all demands involves a much larger stock than is necessary to supply the same demand when but one or two brands need to be carried. The small margin on which some of these goods are sold is supposedly offset by the higher rate of turnover. But when it is

[15] See p. 16, note 8, and pp. 520–524.

[16] See Harvard Bureau of Business Research, Bul. No. 13, *Management Problems in Retail Grocery Stores,* pp. 32–33.

necessary to stock several competing products this advantage tends to be minimized.

Finally, some of the service developments of the department stores have had an important effect on retailing. In their efforts to enlarge their volume of business many stores try to imitate some of the services of these large establishments, and thus they greatly increase their costs. The luxurious fixtures, liberal grant of credit, return privileges, and elaborate delivery service of many small stores have proved an expense not warranted by their volume of business. The extreme to which these have been carried has evidently not met the approval of all consumers. For the mail order house, the cash-and-carry and the serve-self stores with their emphasis on a less elaborate service have made remarkable progress in recent years. So great have the inroads of these stores been that the older type of unit stores has had to look closely to its merchandising policies and methods—not only to improve its service but to reduce its costs.

Widespread Inefficiency.—There is ample room for improvement in retail methods. Inefficient salesmanship, poorly selected stocks, excessive inventories, and high costs are altogether too common among unit stores. Retailing is costly at best. For the small amounts in which goods are sold, the wide varieties in which they are demanded, and the physical and commercial deterioration to which consumption goods are often subject make this the most costly phase of our marketing system. Of the price paid by the final consumer for staple commodities, from 20 to 50 per cent, often more, is the margin which goes to cover the cost of retailing.[17] There are, however, wide differences in costs among retail stores in the same lines of business. This is in part due to the fact that the public will continue to patronize inefficient stores because they are convenient. It results also from the fact that prices have been rising for years, a condition which has tended to keep the

[17] For some typical margins see pp. 510, 515–518.

inefficient in the field longer than they could otherwise have remained.[18]

Retail Methods and Policies.—This discussion of some of the important conditions of modern retailing leads naturally to a statement of the methods and policies of modern retail merchandising. Competition is keen, efficient methods have been introduced, and new types of stores have been developed. Before discussing these conditions, however, the reader should be cautioned that not all of the tendencies just described, nor those about to be discussed, are necessarily found in all stores. Thus, many unit stores, department stores, chain stores, and mail order houses have their own brands and do not handle manufacturers' or jobbers' brands extensively;[19] many small stores refuse to give credit, or do not deliver; and the familiar cash-and-carry store and the self-service store appear to be distinct movements away from present methods in retail service.

A given store can compete on a basis of price, by selling at a lower price than do its competitors; it can handle quality merchandise and charge quality prices; or it may emphasize the nature of the service it renders in meeting the consumer's needs. Various modifications and combinations of these policies are always evident in the retail trade.

Elaboration of Service.—The point of first importance in describing merchandising policies is the elaboration of the retail service, through carrying a wide selection of commodities, and by means of such measures as the increased elegance and cleanliness of the store, prompt delivery service, and the granting of credit. It is important to point out the distinction between goods and services. An order of goods

[18] The assertions here made are not supported by definite data because they are now generally recognized as true by students of retailing. For statistical proof and for further discussion see the reports of the Bureaus of Business Research of Harvard and Northwestern Universities, and Nystrom, *The Economics of Retailing*.

[19] Many small stores—drug stores in particular—sell goods under their own brand.

which the consumer goes to the store to purchase, pays for, and carries to his home is a different commodity from that for which the order is taken by the delivery boy or over the telephone, sold on credit, and delivered at the customer's home. For the cost of order-taking, of carrying the customer's account, and of delivery must be added to the one, whereas these do not enter into the merchandising cost of the other.

An important aspect of retail service, which is another important cause for the high cost of retailing, is the ease with which the consumer can reach the store, and the certainty with which he can get exactly what he desires. The first accounts on the one hand for the innumerable small neighborhood stores, often inefficiently and hence expensively operated; and, with the second, it accounts for the tendency for stores to concentrate in "downtown" areas where very high rents must be paid.[20] The second accounts also for the wide variety of goods which modern stores carry. This variety of goods increases the buying costs of both wholesalers and retailers, increases the total investment in stocks, slows up the stock-turn, and makes selling more difficult.

Other Policies.—Three other policies of modern retailing which affect the consumer have become characteristic: one price to all, no solicitation in the store, and the privilege of returning goods which do not meet the consumer's fancy or which are not as they were represented to be. Fixing a price for a product and making it public to all prospective buyers has largely eliminated the higgling in the market so characteristic of early retailing. This policy has likewise gone far to remove the suspicion which the consumer formerly felt when buying. It is probable that no other policy could generally prevail to-day. With the multiplicity of goods appearing on the market neither the consumer nor the storekeeper and his clerks have the time, or even the knowledge of prices and

[20] Northwestern University Bureau of Business Research, *The Clothing Survey*, pp. 103, 106–137.

qualities, to "bargain" over the small purchases now common to the retail trade.

This same multiplicity of products makes it necessary for the consumer to look and consider before purchasing. And to make him more at ease in this and so to gain and keep his custom, the policy of no solicitation in the store has been generally adopted.[21] The privilege of returning unsatisfactory goods under reasonable restrictions has gone far to increase further the confidence of the consuming public in their retail dealers. Marshall Field's alleged dictum, "The customer is always right," defines what is a fairly settled policy among the better stores.[22]

Retail Brands.—A final policy of modern retailing is the introduction of retail brands, that is, of goods bearing the brand of the retailer rather than that of the manufacturer or wholesaler. This is a policy which is characteristic of department stores, mail order houses, and chain store systems. But it is by no means confined to these. Specialty stores in the larger cities, in particular, often adopt this sales policy. The classes of stores which have been mentioned are commonly doing business on a large scale, and they find it necessary to use every available means to call to their store and to maintain the patronage of a large clientele. By branding the merchandise they sell these retailers endeavor to influence consumers to buy their goods, which can be bought only of them. There are also price advantages to be gained from branding. Cut price selling by other stores is not felt so keenly when the

[21] This policy does not mean that efforts are not made to introduce skillful selling. This is being done more and more. But the sales effort is not carried to the extent of making the prospective buyer uncomfortable or resentful.

[22] This policy has been carried so far by some stores and abused by the public so freely that some merchants have endeavored to take advantage of the unsettled conditions of the past few years to place necessary restrictions on this practice.

merchant sells goods under his own trade-mark, since the goods are not directly comparable, so far as the consumer is able to judge, with similar goods sold in other stores. This same fact sometimes enables the retailer to maintain a wider margin on his branded merchandise than he could maintain on merchandise branded by wholesalers and manufacturers and sold in competing stores, as well as in his own.[23]

IV

Certain outstanding policies are evident in the organization and management of the modern store. In common with industry generally the tendency to large plants and large organizations has been felt in the retail business, outstanding examples of which are the department store, the mail order house, and the chain store system. And although the small store continues important and in many lines is apparently holding its own, the growth and the importance of the large retail merchandising establishment continue to increase.[24]

Stock-Turn.—Another important aspect of modern merchandising is the emphasis which is placed upon a rapid merchandise turnover, or stock-turn. The usual method of determining stock-turn is to divide the merchandise sold during a given period by the average stock on hand[25] during that

[23] Branding is further discussed on pp. 403–406 and in its relation to jobbing on pp. 142–146. See also Paul T. Cherington, *The Elements of Marketing* (1920), Chap. XIV; and H. B. Vanderblue, "The Marketing Function of Advertising," *Advertising and Selling,* Vol. XXIX (June 5, 1920), pp. 16–18.

[24] Figures do not appear to be available to make certain the exact relative status of these two classes of organizations now and at previous times.

[25] The average stock on hand is the average inventory. When an inventory is taken but once a year the average of the inventory at the end of the previous year and of the present year is commonly used. Since the stock is often lower than normal at inventory time this makes the turnover appear more rapid than it really is.

period, using cost figures in each case.[26] The resulting figure is the turnover for the period. Thus, if a store sells during a year merchandise which cost $360,000, and if it had on hand during the year an average stock of goods which cost $72,000 the merchandise turnover would be

$$\frac{360{,}000}{72{,}000} = 5 \text{ (turns per year).}^{27}$$

The rapidity of the stock-turn, or turnover, is an important barometer of good merchandising. It also serves as a means of comparison between departments, between different periods of time, between stores, and between lines of business. In it are seen the signs which point to the effectiveness or ineffectiveness of the buying plan, the price plan, and the selling plan. The business aim of the merchant is to so order his merchandising that large net profits will be made. This may result from a rapid stock-turn with a small margin of net profit on each turn, from a slower stock-turn with a wider margin of net profit, or it may result from a rapid turn, but accompanied, likewise, by a wide margin of net profit. These cases are developed in the three accompanying illustrations.

CASE I

Annual sales at cost	$100,000
Average stock at cost	10,000
Annual stock-turn	10 times
Net profit per turn	1% ($100)
Annual profit (10 turns)	$ 1,000

This is 10 per cent on the average investment in stock.

[26] Selling price figures may be used. The important thing is to use the same figures for both sales and average stock on hand. See Clifton H. Field, *Retail Buying* (1917), Chap. X.

[27] Turnover is sometimes figured by determining the number of days, on the average, which it takes to sell out the average stock on hand. If the sales are $360,000 per year this is at the rate of $1,000 per day (counting 360 days). An average inventory of $72,000 is, there-

CASE II

Annual sales at cost	$100,000
Average stock at cost	20,000
Annual stock-turn	5 times
Net profit per turn	2% ($400)
Annual profit (5 turns)	$ 2,000

This, also, is 10 per cent on the average investment in stock.

CASE III

Annual sales at cost	$100,000
Average stock at cost	10,000
Annual stock-turn	10 times
Net profit per turn	2% ($200)
Annual profit (10 turns)	$ 2,000

This is 20 per cent on the average investment in stock.

Stock-Turn and Prices.—If low prices which net extremely small margins will increase the stock-turn sufficiently to make the net annual return greater than it will be with higher prices and a larger margin but slower turnover, that policy should be adopted. The problem of the retailer is to determine the best relation between his profit margin on individual turns at particular prices and the rate of turnover which he obtains at these prices. In the staple lines, such as dry goods, groceries, meats, and hardware, the policy of a rapid turnover on small margins is largely favored. This tendency has resulted in part from the process of education carried on by manufacturers of advertised branded merchandise, who emphasize the rapid turnover possible and the small sales effort necessary to sell their goods. Perhaps a greater stimulus to rapid turnover has been the example of the cut price or low price stores who use the price appeal, and consequently to which a rapid

fore, seventy-two days' sales. This figure can be turned into an annual turnover rate by dividing 360 (days in a year) by 72 (days' sales, of the average stock) or five turns per annum.

turnover is an important criterion of success. In other lines, such as jewelry, high class furniture, and fancy goods, the turnover is usually much slower; and it is not sufficiently stimulated by low prices to warrant dealers in keeping their margins at a low point. In such cases a proper purchase plan and high grade sales efforts are of greater relative importance.

Buying and Sales Effort.—The importance of the price policy in its relation to turnover may easily be over-emphasized. Of perhaps greater importance is the skill with which buying is done and the success of the sales campaign. Nothing is so likely to slow up turnover as the purchase of goods in larger quantities than the trade demands, and the purchase of goods which do not sell. Yet both causes for a slow stock-turn are constantly in operation. Quantity prices and the sales efforts of supply houses constantly lead to overstocking. And the excessive variety of goods offered for sale, and pushed by the skillful merchandising of manufacturers, leads also to the purchase of excess stock and, as well, to the frequent purchase of stock which cannot be moved. Good buying, then, is essential both to meeting the demands of consumers and to keeping down the average inventory in relation to sales. Since the average inventory is the denominator in the turnover fraction it is evident that good buying is essential to a rapid stock-turn. But the numerator of the turnover fraction is the annual volume of sales, and success in retailing depends on moving the goods from the shelves once they are bought. This starts with good buying, but successful selling may mean the difference between a small and a high turnover, and a large volume of business.

Further Consideration of Stock-Turn.—There are also specific advantages which accrue from a rapid turnover, and, conversely, disadvantages which arise from a slow turnover. With a rapid turnover the investment necessary to do a given volume of business is reduced. Thus in Case I an investment of $10,000 in stock is enough to do the same volume of business as an investment of $20,000 in Case II. There

is likewise a saving of interest on the investment in stock when the inventory is small. Furthermore, the risks and losses of carrying a large inventory are reduced. For there is less danger of physical deterioration, a smaller number of goods will be left to dispose of at marked-down prices at the end of a season or following a change of styles, and shelf-worn goods will be less in evidence. Stocks are more likely to be fresh and up-to-date, and they will occupy less storage space.[28]

Finally, when a rapid stock-turn is brought about with an increase in the total volume of business, economies in certain types of expense will result, which unless offset by increases in others will reduce the net unit cost of doing business. The expenses which tend to be reduced are rent, interest, heat, light, insurance, etc. But the more rapid turnover and the increased volume of business may have been made possible by an increase in the buying and selling expense, and so cause an increase in the total expense for buying, clerk hire, advertising, express and delivery costs, etc. The net result on unit expense will depend on whether the first costs reduce more rapidly than the latter increase.[29]

Advertising and Departmentization.—Closely related to the question of turnover is the development of retail advertising and departmentizing. Advertising in particular is utilized as a means of stimulating not only the total business, but also sales in new lines, and in those that are moving slowly. The large stores can utilize advertising—particularly newspaper advertising—to greater advantage than small stores, for a given expenditure will influence more people. But many retail stores, on the other hand, thrive as small stores without

[28] A good discussion of turnover and of the need for accurate stock control will be found in *Merchandise Turnover and Stock Control* (1921), a pamphlet published by the Domestic Distribution Department of the Chamber of Commerce of the United States, Alvin E. Dodd, Manager, Washington, D. C.

[29] See W. H. Ingersoll, "How Distribution Costs Can Be Lowered," *Marketing,* March, 1920; also Northwestern University Bureau of Business Research, *The Clothing Survey* (1921), pp. 464–92.

the need for expensive advertising to stimulate demand. In fact, so true is this that large stores are found to spend relatively more for advertising than do small stores.[30] Inasmuch as personal solicitation either in the store or without is seldom resorted to for the purpose of demand creation, retail establishments must depend on the nature of their service, coupled with skilled suggestion, and supplemented by the advertising campaign, to stimulate their business.

The orderly arrangement of stock according to the nature of the product or of selling conditions was an early development in modern merchandising, and if it did not lead to modern departmentizing, at least it is the principle on which departmentizing is based. As retail establishments have grown in size and as the variety of goods dealt in has increased, it has become increasingly difficult for the proprietor to control the great mass of details inherent in merchandising. There comes a rather definite limit to the size of establishment which can be administered, and to the variety of goods which can be sold under the immediate supervision of the proprietor. This logically leads to the division of the business into departments, according to classes of goods or the nature of the administrative work.

Goods are departmentized by classes or relations in use so that the proprietor can keep close track of the stocks in each, and of their rate of turnover and profit. He is thus enabled to know where the weak points of his system are, as well as the strong.[31] When the business becomes large enough, department managers are introduced to take charge of the work in a department; generally to oversee the buying, selling, pricing, and care of the stock. They are usually held re-

[30] Northwestern University Bureau of Business Research, *op. cit.*, p. 291.

[31] Turnover figures for a whole store are seldom of value to the management. To have a real effect on buying, selling, or pricing policies turnover must be obtained by departments, or even better by individual products.

sponsible for results in their department. In the service departments it is also found advisable to arrange the work by departments, although this is less likely to be necessary in smaller stores.

CHAPTER XII

LARGE SCALE RETAILING

I

Advantages of Large Scale Retailing Summarized.—The following advantages inhere in greater or less degree in all large retail establishments; that is, in department stores, mail order houses, and chain stores:[1]

1. Specialization of men and departments.
2. Economy in the expense for highly skilled specialists, for overhead charges, and advertising.
3. Rapid stock-turns.
4. A stock consisting of a wide variety of timely merchandise.
5. Special service to customers.
6. Superior buying advantages.
7. Economies of integration.

Specialization of Men and Departments.—Certain advantages of specialization common to all large scale operation are found in large scale retailing. The large establishment can have a special accounting department, delivery department, buying department, school for salesmen, adjustment bureau, credit department, financial officers; and finally it is able to control its merchandise operations on a departmental basis, and the work of each department can be divided among individuals according to the class of goods handled or

[1] Alfred Marshall shows that the pioneer work of modern large scale retailing—"massive retail trade"—was done by the British workingmen in their coöperative enterprises. Alfred Marshall, *Industry and Trade* (1919), pp. 289–295.

the work performed.[2] Because the volume of work of each kind is large the personnel becomes skilled and the time of each individual can be fully utilized in the field of his special skill.[3] In this way it becomes possible for the concern to employ the talents and the time of each member of its staff to the best advantage. Furthermore, with so many employed, the large establishment can afford to devote time and effort to the training of its staff, and thus encourage and develop each member to a greater usefulness. Finally, the large volume of its business enables it to pay enough to keep experts in its employ.[4]

Economy in Overhead Expense.—Aside from the economy that arises from utilizing the full time of highly paid experts and of a specialized staff in the fields in which they are most proficient, other economies in overhead expense are possible. The expense of the plant, including warehouses, rent, heating, lighting, delivery, is spread over a large volume of business, and so tends to be less per unit of sales than in smaller establishments. Unfortunately, the increase in the *kinds* of overhead charges which such stores must bear tends to offset this advantage, and, in addition, some sorts of overhead expense are increased.[5] Finally, the expense for advertising is likely to be less per unit of sales than it is when competing small establishments advertise. The department store advertising a sale of silk goods will draw customers who will also buy hosiery, hardware, and other products, whereas the specialty or unit store handling but one line of products cannot expect such widespread results. The mail order house through its

[2] See pp. 234–236.

[3] This advantage is not sure to result, see p. 222. For a discussion of the general advantages of specialization, see Alfred Marshall, *op. cit.*, Part I, Chap. VIII, and pp. 233–234, 244–245, 508–509, 592.

[4] The general run of department store buyers receive from $3,000 to $12,000. In rare instances much larger salaries are paid. An article by Edward M. Wooley discussing these salaries as they were in 1914 appeared in *Printers' Ink*, Aug. 6, 1914, pp. 8 ff.

[5] See pp. 216–218.

advertisement in the weekly paper reaches prospects to whom it sends its catalogue. This catalogue, in the case of the larger establishments, advertises thousands of articles. The single advertisement for the chain store system of a city may contain the advertisement of the goods of all the stores in the system.[6]

Rapid Turnover.—A rapid turnover of stock is an aim of all good merchandising. It is not peculiar to large scale operations. But from the data available it appears that if large establishments do not have a more rapid turnover than all competing shops, at least they are far above the average of the smaller stores.[7] From the meagre data at hand it is commonly assumed that department stores turn their stock more rapidly than do general stores, the nearest comparison possible. Individual departments probably do not turn their stocks so rapidly as do the better unit stores in competing lines. Chain stores apparently turn their stock much more rapidly than do competing unit stores. Figures are not available regarding mail order establishments, but it is usually assumed that the general statement will apply to them.

The reasons for this rapid stock-turn of large establishments are not far to seek. In the first place, the expert personnel which they can afford to train or hire enables them to buy with greater regard for market demands; and they can effectively create demand when that is essential. Quantity prices and large cash resources give them advantages in the cost of merchandise. To meet the demand for variety and to carry numerous brands of similar goods requires but a relatively small stock of goods in lines for which there is small demand. Being small in relation to the total volume of business, such stocks do not hold back the turnover record

[6] But many unit stores do not use the advertising methods large stores use and, consequently, have little or no advertising expense. The need for advertising is also sometimes considered a disadvantage of large stores. See p. 217, note 16, and pp. 221–222.

[7] Nystrom gives some figures on turnover in his *Economics of Retailing* (2d ed., 1919), pp. 235–236.

as they would in smaller stores. Furthermore, large stores are better able than small stores to sell goods under their own brands. This tends to overcome the necessity for carrying competing brands. Finally, the possibility of changing goods from main floors to the basement in department stores, from one store to another in chain stores, and the very wide geographical area to which the mail order house appeals, enables each to try out a slow selling article in more than one market.

Special Services: Adequate Stock.—The excellent service which such stores offer is another advantage. For although good service is not monopolized by large establishments, it is at least true that they specialize in this field and often set the pace. Service is an essential part of their merchandising plan.[8] If such stores did not give excellent service they could not easily hold trade in competition with unit stores.[9] The furnishing of a wide variety of fresh and seasonable goods is one aspect of the service offered by large stores. To furnish just what the customer wants at all times is almost impossible for the small general store, and for any but the largest unit stores. This makes it necessary for the consumer to purchase from many unit stores. It is a great trading asset of the large store to be able to supply this variety.[10]

[8] A recent newspaper advertisement of Marshall Field and Company is headed "The Store of Service," and the services described are: general information bureau, personal service bureau, general reading, writing and rest rooms for men and women, women's silence room, check rooms, theatre ticket office, traveler's checks bureau, lost-and-found bureau, telegraph office, medical room, postal substation, tea rooms, taxicab station, party and favor bureau, the gift secretary, interior decorating advisory service, elevator service, special wrapping of gifts, model rooms, costume room, custom apparel sections, fur storage, window displays, delivery service, "other features of service," the basement salesroom, juvenile floor (including a playroom for children), the store for men, and finally, "service in merchandise" and "service in equipment and conduct."

[9] See pp. 214–215.

[10] The shopping trade of the city has been largely absorbed by the department store, and for country trade, by the mail order

The examination and return privilege of department stores and mail order houses should also be classed here, as should the rest rooms, fine surroundings, and delivery service of the department stores, and, of an opposite nature, the cash-and-carry "privilege" offered by chain stores with the resulting reductions in prices. In times of high prices this chance to choose between price and service is a very real privilege to persons wishing to reduce their cost of living and willing to relinquish some services to do so. In fact, it is sometimes said that the sale of goods stripped of many of the ordinary services of department and specialty stores is the best kind of service that can be offered by mail order houses and chain stores to their customers.

Buying Power.—The superior buying advantages of large organizations are often due in part to the control of successive marketing processes within the establishment. But passing over this feature for the present, there appear to be certain advantages in buying inherent in the large retail establishment. The specialist features here as elsewhere. The large stores can have buyers who devote their entire time to buying, frequently in a very narrow field. They are in touch with the needs of the selling department,[11] with a thorough knowledge of the goods to be purchased, as well as of qualities, styles, values, costs, and market conditions. Smaller dealers cannot afford to pay the large salaries needed to get help of this class. It is more than likely that the proprietor himself does the buying, in addition to his other duties, depending upon his clerks to assist where his own knowledge fails.

The buyers for large retail establishments are personally well equipped and in addition they are armed with weapons

house. Investigation by *The Chicago Tribune* shows that in certain sections of the city practically no shopping goods are bought in local stores.—*The Book of Facts, 1921.* See also C. C. Parlin, *The Merchandising of Textiles,* p. 6.

[11] The buyer is usually in charge of sales for his department in the department store, and to a degree in the mail order house.

which the small store can seldom duplicate. In the first place, the very volume of purchases is an opening wedge by which they can get the lowest discounts offered for quantity purchases, frequently even an "inside" discount. Volume further assists by making it more possible to utilize and follow statistical averages which grow out of past experience, such as those dealing with seasons, sizes, qualities, and similar data which will be of use to the buyer in determining his policy.[12] Coupled with their large orders is the ability to pay cash. Large stores are usually in a position to finance themselves. They do not depend on manufacturers or middlemen. Even when such firms borrow money with which to pay cash for current needs, they can get terms better from banks and investors than those offered to their smaller competitors. Many of the smaller stores are forced to depend very largely upon the accommodation of jobbers and manufacturers.[13] Smaller stores, consequently, through higher prices, or directly, pay an interest rate on the credit they receive which is much higher than that paid by the larger firms. The money which a department store can borrow on its short time notes at from 4½ to 6 or 7 per cent may result in a discount on the product it buys of from 10 to 20 per cent or even more—reckoned on an annual basis. Manufacturers in particular are willing to give very large discounts in order to turn their stock into

[12] The three most striking features of the large department stores' buying methods which differentiate them from the regular retail outlet of former days are (1) the stock plan, (2) the seasonal calendar, and (3) the development of "sources." See Cherington, *The Wool Industry,* pp. 228–234, also Clifton C. Field, *Retail Buying,* Chap. IV.

[13] "It is the opinion of many authorities closely connected with the department store system that it is a common error to think that the strength of the department store is based on the advantages it offers the purchasing public, for those advantages are merely effects, not causes. The fundamental strength of the department store lies in the advantages it offers to those from whom it buys goods and from whom it buys money to buy goods. It sells well, and is able to give elaborate service to its customers, because it buys well."—Wm. Cooke Daniels, *The Department Store System* (1900).

immediate cash. Because their purchases are so large and so important to manufacturers, these large stores can get better prices than do small competing stores; sometimes they pay lower prices than do the jobbers themselves.[14]

The purchase of goods at "inside" prices is not looked upon with favor by many merchants because it smacks of unfair competition and monopoly, but it appears, nevertheless, to be a factor in the market and is another aid to the large buyer who uses it. Inside prices and similar practices take some of the following forms. The buyer may be given larger discounts for quantity buying than are usually offered to the trade. He is given these for a variety of reasons: to get rid of a surplus stock, to gain his future trade, or because of the large volume which he agrees to take at the lowered price. Extra services or additional goods may be "thrown in," or the bill may be dated several weeks or months ahead, the usual terms applying from that date instead of from the actual date of sale or delivery. Finally, these large buyers, in constant touch with the market, can often pick up bargains from manufacturers who have a surplus, or from jobbers or importers who are overstocked, or even the stocks of retail stores which are in difficulty. Such articles may be of standard quality or they may be articles which will offer good material for a sale or as leaders.

Superior Buying Ability in Choosing Stock.—But the purchase of goods at lowered prices is not the only advantage which the large retailer has in the buying field. Price is but one aspect of a sale; the customer also demands quality, style, variety, "newness"; and in these, also, the large firm usually

[14] The justification for quantity prices has been outlined as follows: unit manufacturing and distributing costs are less on large orders and the overhead charges on each transaction are less, large buyers ordinarily have higher credit, cut prices are an incentive to buyers to order in larger quantities. Some of the arguments for and against the policy will be found in *System,* May, 1919, pp. 850 ff.; *Printers' Ink,* June 28, 1917, pp. 88–92, Aug. 17, 1916, pp. 114 ff., Dec. 20, 1917, pp. 88–91.

has an advantage. Its buyers are constantly in touch with the market, finding out the latest tendencies, the newest articles, even seeking products to meet as yet unfelt consumer desires which they have sensed. Some large stores have buyers, or agents, in important foreign centers, as well as in the important domestic markets, who are buying and gaining information of the latest styles and of new products.

Integration.—A final advantage of large scale retailing is the integration of retailing with jobbing and even with manufacturing. When a department store, a mail order house, or a chain system buys directly from the producer it is doing the work which the jobber, and even the importer, formerly performed for it; that is, storing, financing, assembling. Not only is this true, but frequently, at least in the case of department stores, the result is that the store goes into the wholesale business. This may be done either because of the profits to be made or because it is thereby enabled to sell a larger volume of products, and to receive jobbing, or greater than jobbing, discounts. Furthermore, by entering wholesaling, the store gets into closer touch with the ultimate sources of the supply of merchandise.

The central purchasing department of a chain store system amounts to a typical jobbing organization, performing for the separate links in the chain the identical function which wholesale houses perform for their competitors.[15] But large retail firms do more than their own jobbing; they are often engaged to some extent in manufacture and even in agriculture. One great string of restaurants has its own dairy farm, and mail order houses and department stores frequently own or control plants manufacturing some of the products they sell.

The Extent of these Advantages Varies as Between Types.—The extent to which these advantages apply varies

[15] In the case of coöperative jobbing as carried on by such retail coöperative organizations as the American Drug Syndicate, United Drug Company (Rexall Stores), and the Gerard Grocery Company of Philadelphia, a separate jobbing organization is controlled by the retailers.

widely as between the different types of large retail organizations. Some of them are not exclusive advantages of large retailing, but are rather the marks of skilled merchandising. The integration of jobbing with retailing and the advantages in buying are characteristic of all types of large retail organizations. They serve also as a chief contrast with small retailing. In the case of the mail order house and the chain store and of the low-price department store, the price advantage which results is of prime importance, whereas the advantage in keeping in touch with the latest products and styles and fashions is of greater importance to the department stores which sell to the more exclusive trade.

The advantages of specialization by departments and the economical use of men and equipment are likewise common to each type. It arises, however, from their very nature that more departments are necessary in department stores and in general mail order houses than can be used by a chain of unit stores selling in a single field. Rapid turnover is particularly stressed by the chain stores, especially when they sell on a price basis. But it is, of course, important with the others. Necessary variety, freshness, and stylishness of merchandise are perhaps equally important to chain stores and mail order houses, but they are of the greatest importance to department stores.

II

Disadvantages.—The disadvantages of large scale retailing can be more briefly stated. But they should not for that reason be under-estimated, since very distinct difficulties confront these large organizations. The first of these is the great cost of doing business. In order to carry out their plans such stores must create a very large demand for their services. Department stores and mail order houses particularly must draw their clientele from a wide territory separated by considerable distance from the establishment itself and hence

situated in markets normally tributary to other dealers.[16] For the department store this necessitates an enormous expenditure for advertising and service, with which to create a sufficient clientele. To the mail order house it necessitates large expense for correspondence and advertising, particularly for the preparation, printing, and mailing of expensive catalogues. Another heavy expense of the mail order house is for the transportation of shipments, or the competitive disadvantage of making clients pay delivery costs. A similar cost to the department store is the delivery expense.[17]

Again, large organizations must depend upon hired employees. These are proverbially less efficient in their work, less cautious in management, less courteous and less effective in selling, than are the proprietors of smaller shops. Not being in immediate contact with those most interested in the welfare of the organization, the incentive to efficient service is peculiarly lacking. Careful training, high salaries, and expensive systems of accounting, supervision, and control seem to be the only means of offsetting this disadvantage.

Finally, there is lacking in the large store that friendly feeling which usually exists between the proprietor of the small store and his customers. The general absence of a feeling of friendliness towards large corporations undoubtedly has

[16] The following suggestive data purport to show the relative "cost of getting trade," which includes normal kinds of retail advertising costs, such as letters, catalogues, window decorating, newspaper space (as shown in an article by Wheeler Sammons, "The Cost of Getting Trade," in *System,* Vol. XXV [June, 1914], p. 585).

Groceries	.83 per cent	Drugs	1.76 per cent
Hardware	1.17 " "	Clothing	2.16 " "
Vehicles and Implements	1.22 " "	Furniture	2.72 " "
Variety Goods	1.52 " "	Jewelry	2.85 " "
Shoes	1.65 " "	*Department Stores*	4.01 " "
Dry Goods	1.67 " "	*Mail Order House*	7.21 " "

[17] Figures compiled by the Bureau of Research and Information of the National Retail Dry Goods Association show delivery costs ranging from nine to twenty cents per package in 1919.

its effect in causing customers to prefer small dealers or to impose on the large firm if they do patronize it. It is improbable that a small store should have purchases returned amounting to 30 per cent of charge sales, a condition found to exist in a large eastern store in 1917, or even 12 to 20 per cent, a more common situation with Boston and New York department stores.[18]

In the remainder of the chapter certain individual characteristics of the department store, mail order house, and chain store will be emphasized.

III

A. The Department Store.—The department store is a retail establishment which sells a variety of goods, and in which the merchandise is divided into classes—each one of which is handled in a department which is distinct as to management and location within the store, and which is carried in the accounts as a separate entity. Almost unknown only a half century ago the origin of the department store is, nevertheless, uncertain.[19] The most probable explanation is that it was a natural outgrowth from the dry goods store. It is known that many recent establishments started in this way.

[18] "In few of the large stores were returns less than 12 per cent of gross sales, while 15–20 per cent was not uncommon."—*Economy in Retail Service,* 1918, published by the Commercial Economy Board of the Council of National Defense, p. 7. The Retail Research Association, 225 Fifth Avenue, New York, found returns in large department stores in 1921 averaged about 10 per cent of sales, and the National Retail Dry Goods Association, 200 Fifth Avenue, New York, in an extensive investigation made in 1921, found that returns averaged 8 per cent of sales. The detailed figures for 1920 are: average per cent of returns to total sales, 7.8 per cent, to charge sales 13.5 per cent, to C. O. D. sales 13.45 per cent.

[19] Alfred Marshall believes that the first true department stores arose in France, the "Bon Marché" and the "Louvre" established about 1852. These in turn, he believes, received their inspiration from English coöperative experience. But the greatest development has occurred in the United States. See Alfred Marshall, *Industry and Trade,* pp. 295–6.

As the margin on textiles became less and less with increasing competition in the retail field, the owners of dry goods stores naturally turned to women's factory-made clothing, notions, and other articles related to their trade which the development of manufactures had brought on the market. From each new article it was but a step to the next, until convenience in handling and the necessities of management must have led to departmentization. Then, with departmentization established and the idea in mind, extension into other fields than dry goods and related products naturally followed. To-day the department store tends to supply all the needs of its customers. In 1913 there were 1,140 department stores in this country, the average annual sales of each amounting to more than $200,000.[20] Several of these were doing a business of over $10,000,000 and one had a business of $35,000,000. In 1920 Marshall Field and Company did a $65,000,000 business, Carson Pirie Scott and Company did a $50,000,000 business and nine other stores in New York, Philadelphia, and Chicago are reported as having done a business of $20,000,000 or more.

Advantages: Conveniences to Shoppers.—Compared with the unit store, its most direct competitor, the department store offers important conveniences to its customers. It is preëminently the shopping store. In fact it has drawn to itself so much of the shopping trade—trade which involves the careful comparison of style, quality, and price—that smaller competing dry goods stores, in particular, have almost abandoned that trade and have confined themselves to selling convenience goods. With its many lines under one roof the shopper can complete her purchases without leaving the store. It is located in a central retail district, often in a beautiful structure, where the shopper trades among pleasant surroundings. Among the conveniences within the store itself are rest rooms, lunch rooms, tea rooms, and writing rooms—all designed to

[20] C. C. Parlin, *The Merchandising of Textiles* (The National Wholesale Dry Goods Association, 1913), p. 26.

induce the customer to come into the store and remain to complete the shopping. Some of these services are free and those for which charges are made, such as the lunch service, are not believed to be important profit-making ventures. Other services not confined to department stores, but which have been developed by them to a high degree, are deliveries, the grant of credit and with it the convenience of having all purchases on one bill, and the privilege of trial and return of goods.

The mere size of the department store has an effect upon the buying public.[21] Big stores have usually a reputation for reliability. The store building may even be said to serve as a symbol about which the firm's good will can be built.

But even with these advantages and the other advantages of large scale retailing previously mentioned to assist it, the department store has by no means an easy time and its smaller competitors, particularly the city specialty shops, continue to thrive.

High Expense.—The cost of operation is very large. It has been estimated from time to time to range from 24 to 31 per cent of sales.[22] This is higher than similar estimates for either chain stores or mail order houses. Comparisons with competing unit stores, although more pertinent, are difficult to make. The general statement that department store costs are higher, however, seems warranted from the facts available. Rents, advertising, and delivery expenses are usu-

[21] "Big business appeals to the imagination of the people of the twentieth century, especially to the people of the middle and lower classes. The big store suggests class and distinction. To trade there to a certain extent confers distinction. The big store's automobile delivery truck calling at one's residence heightens this effect."—Nystrom, *Economics of Retailing* (2d ed., 1919), p. 261.

[22] The National Retail Research Association estimates it to be 25 to 30 per cent of sales, the National Retail Dry Goods Association, 28 to 31 per cent, and an investigation of 266 department stores recently made by the Harvard Bureau of Business Research finds their average expense is 27.8 per cent of sales, and net profit 1.8 per cent.

ally assumed to be higher for department stores than for competing unit stores. But convincing data are yet to be secured, for although these items are individually large, the amounts are divided over very large volumes of trade, which tends to lessen the unit charge. And if the volume of business resulting from the preferred location, advertising, and delivery service is great enough, the unit cost [23] will become very low. Furthermore, even large unit costs are not a positive disadvantage if they are offset by, or are the means of securing, a sufficiently rapid turnover.

It is popularly assumed that the high rentals paid in the preferred locations necessitate a higher unit cost for rent. Stores otherwise located sometimes make much of this in their advertising. The explanation of rent to which economists generally adhere would indicate, on the other hand, that the larger volume of business done in such locations offsets the increased rent. Marshall even goes so far as to state that there is a saving to the large store "especially in ground rent: for a single first-rate frontage on a good thoroughfare serves as an introduction to many acres of flooring. . . ." [24] Data gathered concerning men's retail clothing stores seem to show that rents are less per $100 of sales in the better locations; at least, less for large stores than for small.[25] From a competitive point of view one other point has an important bearing here. Many department stores own their ground space and so pay no ground rent to outside parties. If an increased rental is charged when such land increases in value, it is simply an accounting expense. It does not have to be

[23] That is, costs per unit of sales—usually expressed as a certain per cent per dollar of sales.

[24] Alfred Marshall, *Industry and Trade,* p. 297. On the other hand, Nystrom introduces an interesting theory to the effect that future values are discounted and a part of the profit of superior management is taken by the landlord. See his *Economics of Retailing,* Chap. XI.

[25] Northwestern University Bureau of Business Research, *The Clothing Survey,* p. 121.

paid. This is an important competitive advantage in case of need.

There is less reason to doubt that advertising and delivery are relatively high expenses for department stores. The creation of demand among prospects in outlying districts involves an enormous expense for advertising, and the delivery of goods to such customers is likewise costly.[26] Even here comparative data are not convincing. The department store is competing with many kinds of stores in varying locations, and the data gathered so far are relatively meagre.[27]

Departmentization itself, while bringing economy in the time of some employees, causes waste in the time of others. Thus, there are certain to be slack times in the work of many clerks and helpers in the various departments, whereas these same employees in a unit shop, when not selling one thing could be selling another or could be performing other necessary duties. The delivery boy or the proprietor's wife help sell when there is a rush, or the clerk helps to deliver, take inventory, and keep the books. To offset this, to what degree it is impossible to determine, some employees in the larger stores are trained to work in several departments as need arises.

Personnel Problems.—Again, as this type of establishment caters to the shopping trade,[28] it is very susceptible to losses

[26] Competing unit stores usually deliver in a smaller area; if they catered to customers in as wide a territory as does the department store their delivery expense per sale would, of course, be greater because, whereas they confine their service to one line of goods, the department store sells and delivers many lines.

[27] The Harvard University Bureau of Business Research has announced an investigation of department stores. The fact that savings in advertising expense are sometimes given as an *advantage* of department stores shows how meagre and inconclusive the data are. See pp. 209–210.

[28] "Woman's purchases are of two distinct classes. . . . These two classes we call 'convenience goods' and 'shopping lines.' Convenience goods comprise notions, cottons under 15¢ a yard, stockings for the children, and in general, the lower end of woman's purchases. An inventory of a suburban dry goods shop will furnish a complete list of

through poor salesmanship. This difficulty is greater with the department store than it is with the chain store, which caters more largely to convenience goods, or the mail order house, in which the personality of the employees is not in evidence. The importance of a well-trained sales force is now recognized. And the recognition of this need has forced the payment of better wages and the development of systems for training and arousing the initiative of salespeople. But hired salespeople, even with the best of training and the greatest of incentives, seldom have the interest, tact, and courtesy of the unit store owner or of his clerks—who are working always under his watchful eye and with a more direct personal knowledge of the firm itself and a more personal interest in its success.

Finally, the very size of the business and the diversity of goods it carries and of services it performs make it peculiarly liable to excessive expense and to unforeseen losses. To counteract these risks it is necessary to build up expensive store systems for supervision, accounting, statistical service, and the training of employees. A "system" is frequently necessary in order to keep track of and to guide activities which in smaller stores and stores with less diverse activities are under the immediate attention of the owner of the store.

B. The Large Mail Order House.—The great mail order

convenience goods. These lines are bought under the same influences that affect men: (1) at a convenient store, or (2) by impulse, or (3) at an accustomed place, or (4) by brand. There is little or no comparison of values.

"Shopping lines in general comprise the upper end of woman's purchases—cloaks and suits, carpets, millinery, the better grades of hosiery and underwear, and all those articles which a woman records on her mental shopping tablet (which never forgets), and of which she defers the purchase until a trip to her shopping center. In these lines a woman does want to compare values. She wants to go to one store, then to a second, then to a third, and after having seen three stocks, to make her choice, by comparing quality, price and style."—C. C. Parlin, *Merchandising of Textiles,* pp. 5–6.

house is a unique American institution. Although business has been done at retail through the mails perhaps since the establishment of the post, this particular development dates only from the establishment of Montgomery Ward and Company in 1872.[29] Although the mail order business is discussed here as a type of large scale retailing, its method is not confined to large firms nor to retailing. Some jobbing houses sell entirely or in large part by mail, and most jobbing houses stimulate mail orders between calls of their salesmen. Many department stores carry on a more or less extensive, although not always successful and profitable, mail order business, as do many specialty stores and some chains.[30] Many manufacturers attempt to sell by mail to the ultimate consumers either all or a part of their output, and finally, much international trade is carried on through mail order methods.

Nystrom estimates that perhaps a billion dollar retail business is carried on annually through the mails.[31] The business of the two great Chicago houses (Sears, Roebuck & Company and Montgomery Ward & Company) alone amounted to approximately $360,000,000 in 1920. The larger of these, Sears, Roebuck & Company, had 8,000,000 names on its mailing list. Probably something over 10,000,000 people in the United States are regular customers of these two houses.[32]

[29] M. T. Copeland in his *The Cotton Manufacturing Industry of the United States,* in speaking of the cloth merchants of the nineteenth century states (p. 194) that "they had agents in various cities to whom they consigned goods, and they also solicited orders by post through advertisements in the newspapers of the different cities." Although such sales were probably at wholesale it shows that the method is not new.

[30] See *Printers' Ink,* May 20, 1915, p. 70, "Kresge Chain Reaching Out for Business by Mail." Many retail store managers who attack the great mail order houses for their methods are themselves extending their business through the mails to the customers of smaller stores in near-by towns.

[31] Nystrom, *Economics of Retailing* (2d ed., 1919), p. 291.

[32] "There are over 2,500 mail-order houses in all in this country. Of this number 850 are rated at over $100,000." *Ibid.,* p. 290.

Many of these order most of their products from local stores, but the figures given are nevertheless indicative of the importance of this type of business.

Its Rise.—The reasons for the inception of the mail order business in this country have been well summarized as arising from

> "the independence and lack of community spirit of the American countryman due largely to his isolated manner of living, the general circulation of periodical literature among all classes of people, the increased earning power of many classes, the rising standards of living, the backwardness of many small-town merchants, the power of mail-order advertising to create demands for mail-order house goods, and the cheaper price argument." [33]

Methods.—Most of the methods of the large mail order house are similar to the methods of other large retail organizations. They are in particular similar to department store methods. But whereas the latter must draw customers to the store and depend upon display, advertising, and personal salesmanship to create demand, the mail order house depends upon advertising alone. The sole method of demand creation is through advertising [34] and, of course, the satisfaction derived from the goods and services it sells. Mail order advertising consists of newspaper and magazine advertisements, catalogues, circulars, and letters. The advertisements and letters of the better houses are unusually well composed, truthful, and courteous as well as convincing in their appeal. Many retail stores could learn useful lessons in accurate and illuminating description of merchandise, and in prompt, courteous treatment of customers, from the advertising and correspondence of the large mail order houses.

Although lacking the personal appeal and the element of

[33] Nystrom, *op. cit.*, p. 295.

[34] That is, the mail order business depends on advertising, but some mail order houses have departments which sell by ordinary retail methods. Montgomery Ward & Company and Harris Brothers Company, for example, have retail sales rooms in their Chicago plants.

good will inhering in the ordinary retail store, the catalogue of the mail order house offers, nevertheless, many advantages in selling. Aside from the features previously discussed, it is available for immediate reference, and can be perused at leisure. Few people are willing to take the time during business hours to go over the entire stock of the retailer's store, and few retailers would allow them to do so, but the goods of the mail order house are always at hand through their catalogue for what approximates just such inspection.

Cash Sales.—Another feature, which, although not confined to mail order business, has until recently been an almost universal characteristic of their trade, is the sale of goods for cash. In recent years this policy has been modified by some houses in those sales in which large amounts are spent for a single item, such as a piano or a cream separator. It was found that these goods would not sell without this arrangement, the original investment being too great for the average customer.[35] Another important policy is that which guarantees the goods to give satisfaction. This, again, is not confined to the mail order business, but because of the distance of customers from the house, and the demand for cash with orders, it is undoubtedly an essential element in getting and retaining business. Many a customer has been kept and many a new one made through the policy of some of these houses in allowing goods to be returned at their own expense and in cheerfully refunding the purchase price of the article.

Two Greatest Advantages.—The two greatest advantages of the mail order house over its strongest competitor—the country store—are (1) the great variety of goods carried, and (2) superior buying. The country store finds it impossible to carry the different kinds of goods or the varieties and styles

[35] Sears, Roebuck & Company's annual report for 1920 showed a little over $47,000,000 in accounts receivable, out of a total business of over $230,000,000. These credits were mainly for the sale of home building materials, phonographs, and encyclopedias sold on a time payment basis.

and sizes which consumers demand. Although such goods can be ordered on special request many dealers are not accommodating in this regard, and customers commonly prefer to order for themselves rather than allow the dealer to order for them.[36] The mail order house not only carries the goods usually demanded but through its advertising creates demand for other merchandise.

Superior buying makes possible a properly assorted stock and assures that low prices will be paid for goods bought. The reasons for this superior buying are the same as those which inhere in all large retail organizations. But they are probably realized in greater degree, for the volume of business done by the large mail order house is greater than that of department stores or chain stores.[37] The advantage resulting from the great buying power of the firm is perhaps the chief factor in the low price appeal which such organizations can make. That some articles are sold by the mail order houses at lower prices than competing retail organizations sell them is beyond dispute; that most of their sales are made on this basis is not so evident, particularly when the cost of delivery, usually paid by the customer, is considered.[38] That they sell at generally lower prices than competing stores is not proved to the satisfaction of all; but that they compete successfully by using a price appeal cannot be questioned. The larger houses seem to have a real advantage in

[36] The liberal attitude of the mail order house toward returns may be partly responsible for this, for when small dealers make special orders they expect the customer to take the goods.

[37] The largest sales for any department store in 1917 were under $50,000,000, whereas the sales of two mail order houses in that year were greater than this by over three times. See p. 224.

[38] Bulky articles need not be carried in stock. Consumers expect some time to elapse before receiving such articles by freight and so the mail order house utilizes the drop shipment method of the jobber and has the articles shipped directly from the factory at which they are made, or from its own district warehouses. Furniture and heavy hardware, in particular, can be handled in this way.

this regard if they wish to use it.[39] But it must be remembered that price is only one strong appeal of such houses: variety of goods guaranteed to give satisfaction, the ease of ordering from a catalogue and on the negative side, the inefficiency of small competing stores, all have a powerful influence favoring the great mail order house.

Systems.—Highly systematized methods of filing orders and filling them have been developed in the larger houses so that orders can be assembled, packed, and shipped with a minimum of cost and the maximum of speed. One large Chicago concern has its work so well in hand that all orders are through the house in twenty-four hours. The goods in a single order, which must come from various departments, are scheduled to reach the packing room at a certain definite time, with an allowance of but ten minutes. Orders may arrive one hour early, but they are sorted in ten minute periods.

Disadvantages.—Among the disadvantages under which mail order establishments work is the high cost of demand creation which results from the necessity of utilizing such an enormous amount of advertising. The few figures that are available seem to indicate that even excluding the cost to the customers for delivery the expense of doing business in mail order houses is as great as is that in competing stores if not greater.[40] For although there are economies in clerk hire and at other points, resulting from the wonderful systematization of the business and the efficient methods and appliances

[39] With regard to this low price appeal it must not be forgotten that a good deal of mail order business is carried on by relatively small firms, which do not have any of the advantages of large scale business and so probably labor under the disadvantages of mail order business without its compensating advantages of variety of goods and great purchasing power.

[40] Nystrom estimates that the average cost of doing business in large mail order houses is about 22 per cent of sale, ranging from 18 to 26 per cent. Investigations in ordinary retail store business have given figures ranging from 10 to 27 per cent for rural stores, the chief competitors. See Nystrom, *op. cit.*, pp. 65–67, 305–306; also Curtis Publishing Company, *Selling Forces,* pp. 178–179.

utilized, their cost of demand creation, e. g., the cost of printing and mailing catalogues, is very large. Unlike the local retail stores their clientele is not located in the neighborhood and so it is not naturally convenient to trade there, and neither does it comes under the personal influence of the proprietor or his subordinates. Hence such an establishment must be continually advertising to sustain and increase its business, and it must take great pains to keep the good will of customers.[41]

The mail order business is closely tied up with one class of customer—the farmer. When the farmer prospers the mail order house prospers, but when the farmer is unable to buy, the business of the mail order house suffers a great decline.

In times of rapidly changing prices, the fact that prices as published in the catalogue will prevail until another is published may involve the company in great loss of trade or money. When prices are rising, many orders will be filled at a higher cost than was anticipated when the goods were priced. This will be true unless they have been purchased at lower prices, or unless the order for the higher cost goods is not filled. When prices are falling rapidly the catalogue prices are often higher than are those in competing stores.

Transportation costs to customers are a disadvantage in this kind of business which cannot be overlooked. Even if they are not borne by the house they add to the customer's cost—although it is claimed that he often fails to consider this.[42] Deliveries, moreover, are necessarily slow, compared to the convenient and immediate delivery from the local store. The cost and time of shipment from Chicago to remote places have been responsible for the establishment of branch houses in various parts of the country.

[41] See *Printers' Ink*, July 19, 1917, p. 8.

[42] In cities and in towns mail order houses have begun to lower transportation costs by sending a number of orders in a single car once in two or three weeks. This carload consigned to a drayman is then distributed by him. In this way both railroad and dray costs are reduced, and deliveries are speeded up.

Goods are not seen by the buyer before they are purchased. No matter how generous a concern may be with its guarantees of satisfaction many customers do not like the necessity of returning goods, nor of waiting several days for them only to find that they are not what are wanted, or that a part of the order was not filled. The best houses through the excellent descriptions of their goods have gone far in eliminating this difficulty. But there are many things which it is difficult to describe accurately, and even with the best of descriptions and of intentions the purchaser may yet be led astray or left uncertain.

Finally, in addition to the great difficulty in getting the good will of customers and the lack of the personal service so many customers desire, the volume of mail order business has undoubtedly been curtailed by the appeal of local merchants to community pride. The sneer of the local merchant at the mail order customer and the slogan "buy at home" have kept many an order from finding its way to the distant mail order house. The mail order houses are meeting with new selling problems in recent years which have made many question their future. The introduction of the automobile enables farmers to go to near-by towns and cities with greater ease, and so at the same time it is sounding the doom of many country stores the automobile is also having an adverse effect on mail order business. The introduction of the chain store into smaller towns and cities seems also to be making great inroads upon mail order business. Because of their ability to sell at prices which are as low or lower than mail order prices they obtain much of the trade which formerly went to the mail order houses.

C. The Chain Store.—A chain store consists of a number of unit stores operating under a common management and control, and following common policies and utilizing common methods of operation which are determined by the central management. The chain store combines to a large degree the advantages of large and small scale retailing. On the

one hand it enjoys the economies of departmentization, large purchases, standardization of methods, and skilled executives. On the other hand, it reaches to the very door of the consumer, giving all the conveniences in location of the neighborhood store.

Although the chain store was in existence in this country before the Civil War its most rapid growth has been since that time, particularly since the eighties and even more especially since about 1910—a period of rapidly rising prices. The volume of business of some chains is far greater than that of the greatest department stores and is surpassed by but one great mail order house.[43] The number of stores in chains ranges from two to two thousand or more, and, if coöperative retail buying organizations are included, to several thousand.[44]

Means of Control and Ownership.—Chain store systems are controlled in several ways. (1) Some are controlled by firms formed for the express purpose of carrying on a chain of stores. (2) Others are controlled by retailers themselves—that is, by groups of retailers who form a chain primarily as a means of obtaining economies in buying.[45] (3) Jobbers sometimes own chains which they have acquired through the failure of customers, through the desire to keep control of fields in which retailers were buying directly of manufacturers, or

[43] The following figures for 1919 show the volume of business in a few of the chains:

Great Atlantic and Pacific Tea Co., Inc.....	$194,646,959
Woolworth	119,496,107
American Stores	76,401,889
United Cigar Stores.....	61,874,053
Kresge	42,668,060
McCrory	11,487,045

[44] There are more than 8,000 stores in the United Drug Company—the "Rexall" stores.

[45] These, however, are not always considered chain stores. The term is more usually applied to stores controlled by a single owner, whereas retailer controlled chains are more in the nature of coöperative jobbing organizations, each retail unit controlling its own activities as does any independent store.

through the desire to enter new fields or new territories. (4) Manufacturers' chains are usually formed because of the inability of the producer to find satisfactory means of marketing through ordinary retail channels or because it is anticipated that larger profits will accrue. Because jobbers or retailers will not handle or push the manufacturers' products, or because of the failure of retailers to maintain prices, substitution, and other difficulties, many manufacturers have been forced into the retail field.[46] Finally, (5) there are chain systems composed of consumer coöperative stores. These stores, which are widespread in Europe, come into direct competition with the privately owned "multiple" or chain stores.

Chain store systems are found in almost all retail lines. More familiar are the great chains found in the grocery and restaurant business, the variety ("five and ten cent stores"), tobacco, and shoe business. But they are found in many other lines, such as drugs, hats, meats, dry goods, hardware, clothing, automobile accessories, confectionery, coal, and flowers.

Chain Store vs. Specialty Store.—The chain store, as in the case of the department store, finds its strongest competitor in the unit store. But with the recent rapid growth of chains in smaller towns and cities they have now come into direct competition with country general stores. Instead of competing with specialty stores of many kinds, however, as does the department store or mail order house, a chain system is usually confined in its activities to a single line; competing only with stores handling that line of goods, including of course, department stores. The competition with department stores is not important, however, because department stores specialize in the sale of shopping lines and most chain store systems sell convenience goods. This line of demarkation is not distinct, but the characterization is typical.

[46] It is generally claimed that the profits are less in the retail field than in the manufacturing end of the business; and so manufacturers are not particularly inclined toward this method of disposing of their product.

Peculiar Advantages.—Aside from the advantages which it possesses in common with other large scale organizations, such as large buying power, economies in accounting, advertising, delivery, and departmentization, the chain store has other advantages over competing specialty stores. (1) Goods which move slowly in one store or section of the territory may be found more readily salable in other territories and in other stores, and slow moving goods are quickly discovered. (2) In local competition the chain can lower prices to meet prices at one point without lowering them in other markets. (3) The expense of chain store operation is undoubtedly less than is that of the average unit store, although there is reason to believe that the most efficiently managed unit stores do business at as low a cost as the chain stores or even at a lower cost. A few new stores, poorly located stores, or a few ineffectively managed stores can greatly increase the average expense in a chain. Their lower operating expense is due to such things as the determination and use of superior methods, the use of low priced help closely supervised, and, often, the reduction of services. The cash-and-carry system, although not confined in its use to the chain store, is a common accompaniment thereof.[47] A few chains in the grocery field have introduced the self-serve store. This applies the cafeteria idea to retailing. It is assumed that a more economical service results, for clerks do not have to wait upon customers so extensively as they do in other stores. A chief advantage is that customers can pass near all the goods, and contemplate their purchases at leisure, without taking the time of the clerks or of waiting customers.

(4) A minimum of stock can be carried in a central ware-

[47] Apparently the savings in operating expense are not entirely responsible for the success of chain stores, for unit stores of the cash-and-carry type have not been conspicuously successful. Only when the advantages of superior buying are present do cash-and-carry stores seem to reach their maximum of success. The savings from the reduction of service alone are not always enough to offset the decreased service in the eyes of consumers.

house where storage expenses are far less per unit than on the shelves of the store in the retail district. Goods thus stored can be parceled out as the demands of the units require and the stock carried can be held at a minimum because of the better facilities for knowing the demand of the large number of stores, and the superior facilities for getting orders filled promptly in case of need.

(5) Standardized methods make it possible to utilize the one best way for doing each thing. The services of a few experts can be felt throughout the organization as a result of this specialization and standardization in the system—for example, uniformity in window displays and store arrangements, in hiring and training employees, in store service and selling policies. High administrative expense and the high salaries that must be paid to these experts tend to offset some of the advantages but when spread over a large enough number of units these expenses become less important.

(6) *Price Appeal: Turnover.*—With lower unit expenses than their competitors and lower costs of merchandise it is evident that the chain stores, if they desire, can make an effective price appeal. And they do so to a very great degree.[48] The policy of low prices and rapid sales is nowhere carried on so successfully as in the better chain store systems.[49] Unfortunately, turnover figures of chain stores cannot be closely compared with those of unit stores. The exceptional store of a chain should not be taken as a sample, for its record will be offset by the showing of the poorer stores. Furthermore neither a single store's stock-turn nor the average of all the

[48] C. W. Hurd and M. Zimmerman, "How Big Retailers' Chains Outsell Independent Competitors," *Printers' Ink,* Dec. 3, 1914, pp. 69–70.

[49] Whereas the turnover of city grocery stores is around ten or twelve times per annum, chain grocers have been reported as doing as well as forty times; cigar and tobacco stores average around four to six, one great chain is credited with as high as fifty, for some of its stores; private variety stores have a turnover of about eight to ten, five-and-ten-cent chains of from ten to twelve. *Idem, Printers' Ink,* Dec. 3, 1914, p. 66 ff.

stores is a proper unit to compare with the competing unit store. For the stores of the chain might have a very high turnover but there might be a very slow turn of the reserve stock, although this is not likely when the chain is well organized. The only true comparison would be between the turnover of the whole chain organization, retail and wholesale, and that of the jobber and his retailer. This it is impossible to make in any satisfactory way.[50] In so far as a rapid turnover can be accepted as a criterion of success in retailing, it is evident that the chain stores are on the right track. Their rapid turns show they are utilizing their superior merchandising efficiency to strengthen their organization at the point where the average store is weak.

(7) *Superior Buying.*—Not only do chain stores have a lower expense of doing business and a more rapid turnover than competing small stores, but they also have the superior buying ability of large establishments.[51] In the chain store at its best, this means lower costs,[52] better goods, a greater variety, and more consideration from those whose goods they purchase.

[50] Converse makes an interesting comparison, however, which supports the assumption of the rapid turnover of chain stores. He cites data to show that the average turnover period of wholesale grocers is 70 days and of retail grocers is 46 days, a total of 116 days, and that "A chain store operating its own wholesale warehouse and turning its stock 7 times a year requires only 52 days to effect a complete turnover."—Paul D. Converse, *Marketing Methods and Policies* (1921), pp. 319–320.

[51] "The success of our organization may be attributed to great buying power and ability to take advantage of all cash discounts, combined with economy in distribution."—This is a statement by F. W. Woolworth in a letter of Feb. 14, 1912, in connection with the reincorporation of the Woolworth Company, as quoted in A. S. Dewing, *The Financial Policy of Corporations* (1920), Vol. IV, p. 57.

[52] Manufacturers sometimes agree to extend the time for cash discounts by two or three weeks. In this way large buyers can finance many of their purchases out of the sale of the actual goods. This is particularly true of the chains with rapid stock-turns. This scheme is in the nature of an inside price and is not looked upon with favor by small stores, or by the manufacturers themselves.

(8) The larger chain stores have gone as far as the mail order house and the department store in departmentization and specialization of administrative departments. Separate accounting departments, buying departments, store fixtures, real estate departments, or even subsidiary companies for purchasing the real estate utilized, are important parts of the business of larger systems; and the standardization of methods assures that the one best way will be used in each store.

Personnel Problem.—As with other large scale organizations the chief disadvantage of the chain store is the personnel problem. In the case of chain stores operating throughout large sections of the country it is evident that this problem is even more important than it is to the department store, or mail order house, in which the owners can be in close proximity to their business all the time. How to get hired managers to run stores effectively is as yet an unsolved problem. Much is being done through partnership plans, careful training, improved wage systems, contests, inspection, and other methods. But the fact remains that the hired manager is not likely to be so efficient as the same man would be in his own store, either in watching the little things that make for success or in gaining the good will of customers. Furthermore, when a good manager develops he is likely to go into business for himself. In the case of those chains which are made up of retailers who coöperate in owning a central buying organization this particular problem, however, is not found.[53]

Consolidation.—A tendency toward consolidation is evident among chain store systems and the last few years have brought many combinations of competing systems. As the advantages which such stores have over ordinary stores are offset to some extent by the growth of competing chains, it appears that new advantages are sought through greater size; and undoubtedly the mere accumulation of profits or financial

[53] A good illustration is the United Drug Company, the "Rexall" stores. See Paul T. Cherington, *Elements of Marketing,* pp. 173–186, for a discussion of this point.

power leads to the same end when the more direct method of establishing new stores does not seem so feasible.

Other important tendencies involve the control of factories and the expansion of the business into smaller towns and cities. Many small towns now have units of large chain store systems. In the West the "Penny" system of dry goods stores limits its activities entirely to smaller towns and cities. Where towns are too small to warrant the establishment of stores some manufacturers' chains have resorted to the establishment of exclusive agencies,[54] which, although not direct parts of the chain, share in many of its advantages.

Future of the Chain Store.—So long as jobbers and manufacturers continue to desire new and wider markets for their products than existing retail methods provide, so long as large purchases and purchases for cash can be made at lower prices, and so long as inside prices are given to powerful buyers, we can expect to see chain stores increase in number and importance. Consolidation will also continue, for as the special advantages which chain stores now exert over their small competitors are minimized through the establishment of competing chain stores, competition will lead to consolidation to gain the possibilities of increased power through the use of larger and larger units. With the further advantages of low costs, rapid turnover, and convenience in location near the consumer it seems that the chain store is likely to find for itself an increasing field of usefulness.

[54] An exclusive agent is a retailer to whom has been given the exclusive right to handle a certain product or certain products in a particular territory.

CHAPTER XIII

DISTRIBUTIVE COÖPERATION

Distributive coöperation is the control of marketing agencies by associations of producers, consumers, or middlemen. It involves the substitution of an associated control of steps in distribution for that which is normally exercised by independent agencies. This control is exercised by the parties who formerly sold to or bought from these independent agencies. Thus, it means for producers the associated control of the channels through which their products reach the market. It brings about for consumers associated control over the channels through which they are supplied with the commodities they buy. It involves for merchants associated control over the channels through which they purchase merchandise for resale.[1]

[1] A mass of literature has appeared upon the subject of coöperation. But unfortunately there has been little unprejudiced investigation of the results of coöperation. Of the more accessible sources of information the following incomplete list will be of value.

The books which are mentioned are useful both in themselves and for the bibliographies and footnote references which they contain: J. L. Coulter, *Coöperation among Farmers* (1918); W. W. Cumberland, *Cooperative Marketing* (1917); E. P. Harris, *Coöperation: the Hope of the Consumer* (1918); B. H. Hibbard, *Marketing Agricultural Products* (1921), Part III; G. H. Powell, *Coöperation in Agriculture* (1913); Albert Sonnichsen, *Consumer's Coöperation* (1919). The U. S. Dept. of Agriculture, Bul. No. 547 and the U. S. Supt. of Documents, Price List 68 (5th ed.), also contain bibliographies.

The U. S. Department of Agriculture and several of the State Agricultural Experiment Stations have published many documents relating to coöperation. Among the more important of these are: The U. S. Department of Agriculture, Bulletins 394, 541, 547, 860, 937; Farmers' Bulletins 718, 1144; Yearbook of Department of Agriculture, 1919,

In a more restricted sense coöperation is confined in meaning to the association of agricultural producers for the sale of their products and the coöperation of final consumers in purchasing the goods which they use. As these are now the more important aspects of coöperation the present discussion is confined to them.[2]

Coöperative Organization vs. Independent Organization.—Important differences exist between coöperative distribution and the ordinary methods of marketing. These differences, however, are more a matter of control than a difference in the actual methods used. The ultimate purpose is to gain some advantage for the persons associated. This is usually found to relate, directly or indirectly, to some price advantage. It may be lower prices to the consumer, higher prices to the producer, or lower prices for goods purchased for resale by the merchant. These price advantages the coöperators hope to obtain through their control of marketing; and they may result either from higher or lower prices, from the absorption of profits commonly going to middlemen, from the improvement of merchandising methods, or from the lowering of expenses.

Features of Coöperation.—Since the aim of coöperation is to control marketing in the interests of the producers or consumers who are associated, a type of organization has been developed to assure such control. The chief features of or-

Separate No. 819; Cornell University Agricultural Experiment Station, Memoir 28; The University of Minnesota, Agricultural Experiment Station, Bulletins 146, 152, 156, 164, 166, 167, 171, 184; The University of Wisconsin, Agricultural Experiment Station, Bulletins 238, 282, 314, 322; University of Kansas, Agricultural Experiment Station, Bul. 224; University of Iowa, Agricultural Experiment Station, Bul. 200.

Publications of the U. S. Grain Growers, Inc. (58 East Madison Street, Chicago), are descriptive of an interesting experiment in coöperation.

[2] There are a number of examples of central purchasing agencies owned and controlled by retailers. See a list in the *Mercantile Coöperator,* March 6, 1920. Their activities are discussed briefly in P. T. Cherington, *Elements of Marketing,* pp. 173–179.

ganization which differentiate the typical coöperative association from the usual business organization are these:

1. One vote is usually allowed per member, regardless of the amount of his investment.
2. No profits above interest at about the market rate are paid to shareholders on the money they invest.[3]
3. The division of dividends is based upon the patronage of the members and frequently of non-members—the "patronage dividend."
4. The "coöperative spirit" of loyalty to the organization is fostered.

The first three of these features clearly differentiate the coöperative enterprise from the ordinary form of business organization. Whereas the business enterprise which is engaged in marketing buys and sells goods or services for the purpose of making profits for those who own it, the coöperative enterprise functions primarily in the interest of producers or consumers—the patrons. It is controlled by them and is run for their benefit. The chief benefits to farmers arise from higher prices received for the crops which they sell through their organizations; the chief benefits to consumers arise from lower prices for the goods they purchase. In either case, if profits are made by the organization they go to the patrons of the organization—at least to those who are members of the organization—and not to independent "middlemen."

One vote per member and the market rate of interest on each member's investment assures the members that the organization will not be operated in the interest of a few large stockholders, who may be more interested in obtaining profit on their investment in the enterprise than in obtaining the highest, or lowest, prices for the benefit of the remainder of the producer or consumer membership. To make doubly sure that this is true most associations limit the number of shares one

[3] Many associations are now organized on a non-stock basis, as provided for in the coöperative laws of some of the states.

person may hold, and some producers' organizations allow only farmers to own shares.

The patronage dividend is a device for tying the interest of the members to the organization.[4] Any surplus above expenses and reserves, which in a business enterprise would be divided among the shareholders on the basis of the number of shares each owns, is by means of this device divided among the patrons of the association on the basis of their patronage of the organization. In the case of the producers' selling enterprise these dividends are commonly divided among the members on the basis of the volume of goods each has sold through the organization. In consumers' buying associations they are divided on the basis of purchases made.[5] The patronage dividend is particularly important only to those organizations that find it desirable, and possible, to make profits above expenses. But such a surplus is only incidental. The society is operated not to make profits from the enterprise as such, but to obtain higher, or lower, prices for the members in their sales or purchases.

The fourth point mentioned, the "coöperative spirit," is a less tangible element. It is neither economic nor legal in its essence. It is considered so important, nevertheless, by some of the advocates of coöperation that no discussion of the movement should fail to mention it. This coöperative spirit is an intangible something, which when developed binds the

[4] When coöperative associations organize under the ordinary corporation laws it frequently develops that these coöperative features cannot be legally enforced. Consequently, such organizations have often developed into purely "profit-seeking" private enterprises. To make it possible to carry out these features of coöperation many states have passed laws making provision for these features. Something over three-quarters of our states now have these laws.

[5] With producers' associations the number of units handled is likely to be the basis of division, since those who sell when the market is dull are not thereby penalized. This is not usually practical in buying organizations and so the money value of purchases is used. Sometimes non-members are encouraged to patronize the association by giving them some of the benefits of the patronage dividend.

members together in loyalty to their association. It is probably safe to say that the fundamental reason for emphasizing this feature of coöperation is the tendency for the coöperators to undervalue the possible future benefits of coöperation once the glamour of a new enterprise wears off. They may, consequently, sacrifice those benefits in order to realize immediate benefit from an act of "disloyalty" to their association. Competing business organizations commonly endeavor, for example, to attract the members of the association by means of some price advantage. If the members take advantage of this, their association is thereby weakened and may even fail. Then, it may be, the independent organization will no longer confer the benefit which drew the members away from their organization.[6]

I. Agricultural Coöperation

Coöperative selling by associations of farmers has been more largely developed in the United States than has cooperation by consumers. During the past fifty years the development of coöperative associations has progressed until today a large part of the production of our important grain, dairy, and fruit growing sections is marketed through local coöperative associations and an appreciable part of the local associations are members of coöperative enterprises engaged in wholesaling the products of their members. The chief of the Bureau of Markets of the United States Department of Agriculture states in his 1920 report, "There are in this country to-day approximately 15,000 farmers' organizations, with a membership of approximately 2,000,000 persons."[7] At the present time over half

[6] In agricultural coöperation this difficulty is now being attacked by means of contracts between the grower and his association. See O. B. Jesness, *Coöperative Marketing,* Farmers' Bulletin No. 1144 (U. S. Department of Agriculture, 1920), pp. 12-14.

[7] *Annual Report of the Chief of the Bureau of Markets,* U. S. Department of Agriculture, Oct. 9, 1920, p. 6.

the grain arriving in Chicago comes from farmers' elevators,[8] and over three-fourths of the live stock going into the South St. Paul market is shipped by coöperative associations.[9]

Organization Features.—A large number of associations in this country do not strictly adhere to the features of coöperative organization just described. This is due in some instances to a failure to know or recognize their importance. In other instances the coöperatives have been organized, in the absence of coöperative laws, under the ordinary corporation laws.[10] Under such conditions the features of a coöperative business organization can be enforced only by mutual agreement, and this is often lacking after the first enthusiasm wears off. With the passage of coöperative laws in over three-quarters of our states this difficulty, however, is being overcome. Under such laws the important features of coöperative organization can be enforced.

The relations of coöperative associations with the growers vary: the coöperative grain elevator usually buys for cash, in order to compete successfully with the independent elevators which purchase in this way; many other associations, particularly those dealing in highly perishable crops and live stock, pool [11] their sales and distribute the proceeds only after payment for each shipment has been received from the central

[8] James E. Boyle, *Speculation and the Chicago Board of Trade* (1920), p. 51.

[9] Letter from W. A. McKerron, General Manager of the Central Coöperative Commission Firm, St. Paul, May 21, 1921.

[10] It is of interest that Section 6 of the Clayton Anti-Trust Act exempts certain types of associations of farmers from the operation of the "anti-trust" features of the act—those which are non-stock, non-profit organizations organized for mutual benefit.

[11] See p. 255. "By pooling is meant averaging the returns received for products sold during a certain period, or for certain shipments, so that each grower having products of the same grade receives the same price. This method of operation protects the individual member from loss because of unfavorable market conditions of a temporary nature."—O. B. Jesness, *op. cit.*, p. 14.

market, or they may pool the proceeds for certain definite periods, as for a month, or two weeks, or for a whole season. Some associations require their members to sign contracts binding them to give their business to the coöperative.[12]

Largely Confined to Local Markets.—The efforts of the farmers' associations are frequently confined to the local market.[13] The distributive functions they exercise and the manner of their performance are primarily the same as those of other local agencies which ship the growers' product to the central market. The manner of control, however, is different. Whereas other local shipping agencies are independent of the growers, controlled by local middlemen or by wholesale dealers of the central market, these are owned and controlled by the growers themselves. The organizations are of varying complexity and their permanence likewise varies.[14] They may be organized simply for a season or even for a single shipment, or they may be incorporated, own property, and carry on extensive purchasing activities in addition to

[12] This is a part of the plan of the new U. S. Grain Growers, Inc. See pp. 254–255.

[13] See, however, pp. 248–255.

[14] The most highly developed organizations are those of the western states, the California Fruit Growers' Exchange, the California Associated Raisin Co., and others handling prunes, apricots, nuts, etc.

"No very positive answer can be given to the question why this marketing machinery has been developed in some of the growing districts and not in others. It is probable, however, that one very important consideration is the need. The farmer who lives a hundred miles or so from a great city can have some knowledge of the conditions there and of the dealers with whom he will come in contact. For the small grower who lives a thousand miles or more away it is much more difficult. Moreover, where the distance is great the freight rate is of more importance, and the desirability of shipping in carload lots is greater. For these and similar reasons the distant growers have a stronger motive for organizing marketing associations of their own, and if an independent organization enters the field it is likely to find it easier to establish relations with the grower."—*Report of the Federal Trade Commission on the Wholesale Marketing of Food* (1920), p. 50.

their sales efforts.[15] Local associations are sometimes associated in regional or state organizations and there have been some attempts at national organization. But the regular central market agencies are usually utilized in their selling operations, although some, as the California Fruit Growers' Exchange, have their own bonded representatives, or salaried selling organizations in the larger markets. Growers of other products have more recently entered the field of terminal market selling.[16] The Farmers' Educational and Coöperative Union has developed coöperative live stock commission houses (The Central Live Stock Commission Company) in Omaha, Kansas City, Sioux City, St. Joseph, and Denver. The most recent attempts have been made by the American Farm Bureau Federation, in coöperation with other large agricultural organizations, to control the marketing of the country's grain crop through the newly organized Grain Growers Incorporated,[17] and to market live stock through the National Live Stock Producers' Association. Even in these instances the existing machinery of the central market is largely utilized.

Purpose of Local Associations.—These organizations perform the same functions in the growers' market as do independent dealers handling the same products. There is no reason to believe that they are on the whole any more efficient in operation than are the local dealers, except that a single farmers' association, when operating on a larger scale than do the independents, may achieve substantial economies.[18]

[15] Sometimes such associations buy many things for their patrons, particularly such bulky products as coal, flour, and machinery. From this to the actual formation of a coöperative store has sometimes been a natural step.

[16] See pp. 250–255.

[17] See pp. 254–255.

[18] Coöperatives do operate on a larger scale in the grain trade at least. In 1916–17 the average commercial line elevator purchased 77,250 bushels of grain, the average coöperative line 136,825 bushels; of individual elevators the coöperatives averaged 152,792 bushels and the independents 102,934 bushels. *Report of the Federal Trade Commission on the Marketing of Grain,* Vol. I., p. 117.

But these associations are frequently organized to meet real evils, such as the failure of the local shipper to pay enough for better grades, his retention of too large a margin, monopoly or combination among shippers; and at some points they have been organized because no specialized local dealer existed. Even the threat of association, or the presence of growers' organizations in another field whose members contemplate associative marketing, has sometimes brought better service from local middlemen who had not been giving the growers all the market warranted.

The chief object of these organizations is not to gain profit on the selling operation, but to get a higher price for the farmer's crop. The patronage dividend, consequently, sometimes plays a large part. In the selling of grain, for example, the practice of the trade often necessitates the outright purchase of the farmers' grain by the coöperative elevator.[19] In such cases, sound business practice requires that the goods be handled on a sufficient margin to cover the risks of the business. But outright purchase at the local shipping point is not generally prevalent in the sale of fruits and vegetables, and of live stock consigned to central market dealers. In the sale of these, and of most farm products, the growers must wait for the proceeds of the transaction.[20] Under these conditions the association may act as a sales agent for the growers; the risk is less,[21] and the costs are divided according

[19] *Op. cit.*, pp. 94–95.

[20] Grain elevators may obtain some protection against loss by "hedging," pp. 362–368, but this is not available to fruit and live stock associations.

[21] A considerable saving over the usual costs of shipment through independent buyers has been made in shipping live stock under these conditions. See E. Dana Durand, *Coöperative Livestock Shipping Associations in Minnesota,* The University of Minnesota, Agricultural Experiment Station, Bul. 156 (1916), p. 7; and B. H. Hibbard, L. G. Foster, and D. G. Davis, *Wisconsin Livestock Shipping Associations,* University of Wisconsin, Agricultural Experiment Station, Bul. 314 (Aug., 1920), p. 6.

to the amount of business done. The proceeds above costs may be paid to each patron for his own product, which is separately sold at the central market; but in some cases it has been found more satisfactory to pool both profits and costs on the basis of the units handled during a given period. In this way all members bear equally any fall in price and gain equally in case of a rise.[22]

Improved Grading and Improved Products.—It is particularly true of the more perishable commodities that there are wide variations in prices for graded as against ungraded products. And one great gain from the coöperative movement has been the improvement and standardization of products to conform more nearly to the demands of the market. This results in higher prices for the farmer's crops, and in turn has led to better farming, for it has made the farmer appreciate the need for better products.[23] This is very important. For the local buyer often pays a flat price, or grades products roughly, thereby overpaying producers of low quality goods and underpaying the producers of superior crops. Paying a uniform price penalizes the best producers, and grading too low penalizes all producers. The formation of farmers' associations has had an important effect on such practices, since they secure for the individual farmer the market price for the particular grades he has produced.[24]

[22] To do this successfully necessitates a system of careful grading that will make it possible for each grower to be paid according to the market value of his goods.

[23] "The farmer is frequently criticized for lack of attention to the uniformity and quality of his products. As an individual he is powerless to remedy this weakness. A multitude of other duties requires his attention; he does not have an opportunity to become intimately acquainted with the demands of the trade; and his production is too limited to attract much attention, even though he uses a great deal of care in the handling and preparation for market of his products."—O. B. Jesness, *Coöperative Marketing*, U. S. Department of Agriculture, Farmer's Bulletin No. 1144 (1920), p. 4.

[24] Managers of farmer associations make the assertion at least that this is true and some investigations made by the writer in 1913 lead

Furthermore, these associations make it more likely that growers will get the top price for their products. It is said, apparently with justice, that the privately owned shipping agencies, in business to profit for themselves from the services they render, sometimes pay a lower price than the market warrants. In this way the margin from which they must obtain their profit is increased. It has been asserted that as coöperation has grown and shown its strength, the ends which are desired can often be gained merely from the knowledge of the independent shipper that he is constantly competing with a potential competitor in the association which the farmers may organize. Again, the size of an association's shipments commands respect at the central market and their competition at the local market has forced many independent dealers to mend their ways. In the case of such products as fruits and vegetables, for which there are no generally accepted grades, these associations have promoted better agriculture, established brands of their own, and through making them known to their customers have secured the full benefit of their superior production.

Federation of Growers' Associations.—There has been an important growth in recent years of coöperative wholesale organizations. It is said that the farmer does not receive the full benefit of his organization unless local associations federate in order to exercise more influence in the central market. Among the benefits to be derived from marketing federations the following are commonly stressed:

1. Products can be stored from the season of abundance and sold when the market conditions prove to be satisfactory,

him to believe that much has been accomplished. There is much pressure brought to bear, nevertheless, which keeps the best results from being achieved. If farmer A's corn is grade No. 1 and the corn of farmer B whose farm lies next to farmer A is graded 2 or 3 a dispute is very likely to result which may in the end lead the manager to meet the situation as the independents sometimes say they have been forced to do, namely, to grade it all alike.

and in the most satisfactory market. This is particularly important with those commodities whose markets tend to be glutted in the harvest season. By helping the farmer to hold his products, through the provision of storage facilities and assistance in financing, by studying the market to determine the best time to sell, and by controlling an appreciable part of the supply, such federations, it is urged, can steady the market and procure more satisfactory prices for the grower.[25]

2. A federation, because of the volume of its business, can afford to keep in close touch with the market. Some associations, for example, go so far as to have private wires to their principal markets. Few local associations can afford any telegraphic expenses, but when a number coöperate the expense to each is small.
3. The association can bring pressure to bear in educating growers in the production of the best market types and in the proper preparation of the product for market.
4. Products can be graded and similar commodities from various points packed and sold together in large quantities.
5. The federation may advertise its products, establish brands and trade-marks, and otherwise assist in the creation of demand.
6. Many miscellaneous services can be performed: freight claims can be adjusted; pressure can be brought to bear to correct abuses in central markets; legislation can be influenced.

Extent of Wholesale Activities.—But by no means the whole field of wholesaling is taken over by these central associations. The actual sale of the goods is generally made through independent middlemen of the central markets. Indeed, until recently little central market work has been carried on by the coöperative organizations engaged in the sale of the

[25] See Theodore Macklin, *Marketing by Federations,* University of Wisconsin, Agricultural Experiment Station, Bul. 322 (Dec., 1920).

staple products. This is probably due to the fact that such products are already merchandised efficiently and cheaply in the central markets so that a wholesale coöperative organization could help little if any. It may also be possible that the opposition of the organized interests [26] at the central markets has militated against such organizations as have been attempted. There has been, however, a growing demand for central market wholesaling by coöperatives. In almost every fruit and vegetable growing region in the country such associations have been attempted, some of which do several millions of dollars of business a year. In the creamery business some centralizing of market information and control has been attempted in a few instances, but it has not developed far, although Minnesota creameries are now federating and the Wisconsin cheese producers have a large central organization.[27] Potato shippers in Michigan, Minnesota, Virginia, and other states now have central federations of potato shippers. There are also federations of cotton growers, and the burley tobacco growers have recently organized an association with about 50,000 members. In Canada, a central warehouse and selling organization for wheat has been established at Winnipeg, and farmers' terminal commission companies handle live stock in several markets. In addition to these the United States Grain Growers Incorporated and the National Live Stock Producers' Association have recently been organized.[28]

[26] "One of the most important and difficult problems which we have to solve is how to assist coöperative agencies to educate the business men of the country so that they will concede the right of the farmer to enter the marketing field. Many successful business men are engaged in a number of enterprises, few confining themselves to one field of endeavor, and there appears to be no valid reason why the farmer should be denied the same privilege which they enjoy."—U. S. Department of Agriculture, *Report of the Chief of the Bureau of Markets* (1920), p. 6.

[27] See Theodore Macklin, *op. cit.*

[28] See pp. 254–255.

Most of these associations are confined in their sales activities to single products or closely related goods. A number are found in the fruit, grain, dairy, and live stock industry. But some cover a wider range of products. The Michigan Potato Growers' Exchange sold 2,200 cars of potatoes in 1920, and in addition to these it sold several hundred carloads of celery, onions, cabbage, squash, and other vegetables, and hundreds of cars of fruit, such as pears, apples, and plums.[29] In addition to these it marketed grain, beans, hay, and straw. The Exchange also has a purchasing department which does a large business. As a rule federations do not operate on a merchant basis. This would involve the necessity of raising large sums of money as well as the establishment of effective credit relations with banks. More often they operate on what is practically a commission basis, with the difference that any profits belong to the farmers themselves.

The California Fruit Growers' Exchange.—The best example of federation is found in the California citrus fruit industry. The basis of the largest organization is some 10,500 growers of citrus fruits in the state who are organized in over 200 local associations of from 40 to 200 members each. Each local association commonly picks and "assembles the fruit in the packing house, and there grades, packs, and prepares it for shipment," [30] and each has brands under which it sells its

[29] Whereas the average grower or local association would have shipped to Chicago or Detroit, the nearest large markets, it sold less than 25 carloads in these markets, shipping rather to smaller and less known markets. The reason assigned is that in seasons of heavy production, these cities are dumping grounds for fruits and vegetables.

[30] This brief description is adapted mainly from a report by Mr. G. Harold Powell, General Manager of the California Fruit Growers' Exchange, included in George K. Holmes, *Systems of Marketing Farm Products,* Report No. 98 of the U. S. Department of Agriculture, pp. 169–171. I am indebted to Mr. Paul S. Armstrong, advertising manager of the Exchange, for the statistical data and for more recent information on the organization features. A more extended discussion may be found in W. W. Cumberland, *Coöperative Marketing as Exemplified in the California Fruit Growers' Exchange* (1917), (Princeton University

product. Each association uses, also, the brand of the central exchange—"Sunkist"—which appears on the wrappers and by which the fruit is known to consumers. The local brand appears only on the box. There are twenty district exchanges, each of which is the medium of communication with the central exchange in the sale of the products of the local associations which belong to it. They also procure cars, receive and divide the returns among the local associations, and generally represent them with the central exchange in the handling of the larger problems of the industry.

The Central Exchange.—The California Fruit Growers' Exchange was formed, and is controlled, by the district exchanges. Its main function is to furnish marketing facilities at cost. In doing this it places bonded agents in the main markets of the United States and Canada, gathers information of the market, is informed by telegraph of the sale of each car of fruit, and furnishes information to the local exchanges and associations through the medium of a daily bulletin. It "takes care of litigation that arises in connection with the marketing of the fruit; handles all claims; conducts an extensive advertising campaign to increase the demand for citrus fruit"; and develops new markets. "The exchange maintains district managers in all important cities of the United States and Canada. These employees are exclusively salaried agents engaged only in the sale of fruit, in the development of markets, and in handling the local business problems of the Exchange."

It appears that even this large organization does only what a large independent concern would do in its marketing activities, what in fact some large concerns are doing, although their activities are not usually so intimately connected with the growers' own farm problems as are those of the local ex-

Press); or in J. W. Lloyd, "Coöperative and Other Organized Methods of Marketing California Horticultural Products," *University of Illinois Studies in the Social Sciences* (1919).

changes.[31] But this exchange was formed to meet a peculiar problem—the lack of a market large enough to take the growers' products at a profitable price—a problem which had

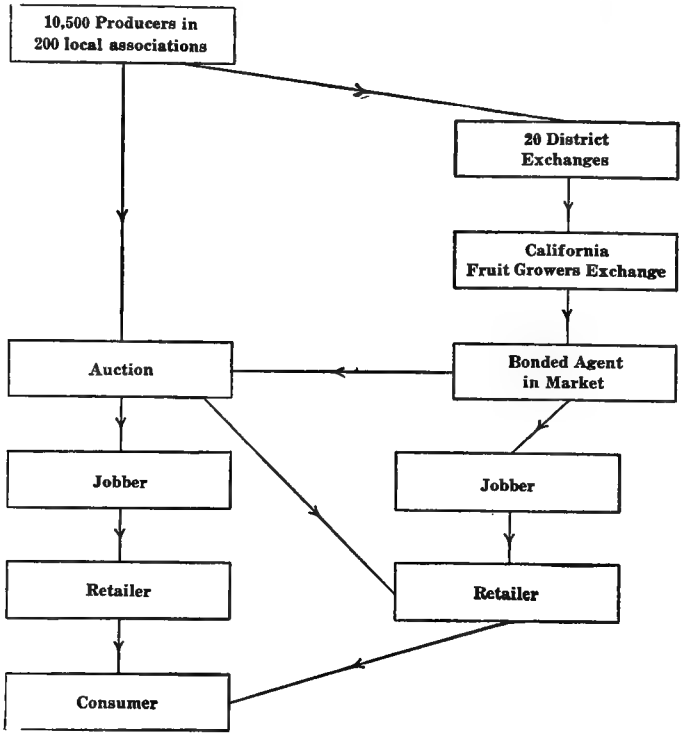


DIAGRAM V.—Coöperative Fruit Marketing by California Fruit Growers

not been solved for the growers by existing marketing agencies, but which they have apparently solved successfully through their coöperative enterprise.[32] Its chief tasks, in contrast

[31] Apples in New England and in other sections, however, are often picked by independent buyers.

[32] In 1907 the Association began advertising to widen the orange market. "In the twelve years since the first Sunkist campaign was launched in Iowa, the consumption of California oranges has doubled. The

with those of most growers' marketing organizations, have been to create a larger demand for the growers' produce, and to maintain proper methods of physical distribution for their highly perishable products grown far from the important markets.[33]

United States Grain Growers Incorporated.—Perhaps the most ambitious project ever aimed at the control of wholesale marketing by the growers themselves is the United States Grain Growers Incorporated, organized in the spring of 1921. This association arose out of the activities of the so-called "Committee of Seventeen" appointed by President Howard of the American Farm Bureau Federation.[34] The plan adopted by this committee after six months' investigation, beginning in August, 1920, led to the adoption of a plan for marketing the grain crop of the country. The proposed program has been outlined by the Committee, as follows:

"Grain selling will be concentrated in the hands of a national sales association, with membership and voting control limited to actual grain growers. This sales association will establish branch offices at all principal grain markets, including seats on boards of trade if they are found to be desirable. It will establish a complete system of gathering and interpreting statistics of world conditions affecting supply and demand. It will provide adequate means for financing orderly grain marketing through a subsidiary finance corporation. A subsidiary warehouse corporation will provide terminal and district warehouses with cleaning and condi-

American consumer has been taught by coöperative advertising to eat nearly twice as many oranges as before."—Don Francisco, *Coöperative Advertising,* p. 8. (This is a pamphlet published by the Exchange.)

[33] For a further discussion of these points see Carl C. Plehn, "The State Market Commission of California," *American Economic Review,* Vol. VIII (March, 1918), pp. 1–27.

[34] The farm bureaus of the various states have been exercising a wide influence on agriculture. Among other things they have been prominent in organizing local coöperative associations. See *American Farm Bureau Organization, What Is It?,* published by the Federation, 58 So. Wabash Avenue, Chicago; also O. M. Kile, *The Farm Bureau Movement* (1921).

tioning machinery. An export corporation . . . will find foreign outlets for surplus grain. . . .

"The best features of all successful coöperative marketing companies have been included in the new marketing plan. . . . The plan makes no attempt to put grain marketing at once on a nation-wide pooling basis, but provides means for the development and extension of pooling as experience proves its adaptability to the grain business." [35]

Under the Committee's plan, existing coöperative elevators and such new associations as may be formed can become an integral part of the new organization. In this way it is hoped that the thousands of these elevators now in existence will prove to be a nucleus about which the new organization can build. This will help to start operations on a large scale at once. Almost no changes, other than the method of control of the wholesale machinery, are proposed in the existing market machinery. Furthermore, it is held to be unnecessary "to secure contracts covering a large percentage of the grain of the United States before the sales association can begin to operate." [36]

The national organization is governed by a board of twenty-one directors, elected by representatives, who are in turn elected from various districts. The board appoints the business managers of the organization. The present plan involves a contract between the central agency and the local association whereby the latter agrees to deliver for a period of five years all grain received from farmers who belong to the national organization. There is also a plan whereby the grain of several associations may be sold at the discretion of the central body and the proceeds pooled on the basis of the quantity of grain each association ships.[37]

[35] *Outlined Explanation of the Proposed Grain Marketing Plan of the Farmers' Grain Marketing Committee of Seventeen,* published by the Committee, 58 E. Washington Street, Chicago, March, 1921, p. 1.

[36] *Ibid.,* p. 5.

[37] The plan of the new National Live Stock Producers' Association is described in the *Live Stock Marketing Plan of the Farmers' Live Stock Marketing Committee of Fifteen,* 608 So. Dearborn Street, Chicago.

Costs.—So far as the expenses of operation are concerned it is likely that little is saved through coöperation. A manager capable of running the organization with success is likely to require a salary as great as that received by the independent owner in profit.[38] It is likely, furthermore, that the lack of the profit incentive may weaken his efforts. The investment will be as great, and so the interest on the money invested must be as much, as the private dealer would expect on his own investment. There is little reason to believe that other costs—help, depreciation, running expenses—will be generally lower for the farmer association. There are instances, however, in which these may be lower. For example, there are often too many local grain elevators. No one of them is operating at a sufficient capacity to reduce costs to the low point a larger business can reach. By substituting one large business it seems that the farmer association may sometimes achieve real economies.

Furthermore, associations have often been formed at points where no efficient market organization of any kind existed. Each farmer marketed his own product through sale or consignment to the consumer, retailer, or central market dealer. At such points coöperation may accomplish results similar to those that follow the establishment of an independent middleman: i. e., transportation costs may be lowered by the combination of shipments into carload lots; individual farmers are relieved of the bother of attending to all the details of marketing their own products; and the knowledge and bargaining of a market specialist are substituted for the limited knowledge of the average farmer.

Combating Specific Evils.—More frequently, however, farmers' selling associations have been formed to compete with or to "eliminate" local dealers where it was felt that the farmers had a grievance against the independent middleman. Very often a single dealer monopolized the shipping, or a group of

[38] Many independent elevators, however, are also managed by hired employees.

dealers were thought to have an understanding whereby they kept prices down. That is, the margin taken out by the middleman was felt to be larger than was necessary to cover the costs of marketing and to allow him a reasonable profit. Local merchants have also been charged with keeping the price down by paying a uniform price for all grades, and of uniformly grading the product too low or deducting too much for tare.[39] It is in such cases as these that there is often real truth in declaring that the "profits" of the middleman are saved.

Finally, the individual farmer is often at a disadvantage in bargaining. This has been true, for example, in the sale of milk to city milk dealers. The organization of milk producers' associations has greatly strengthened the farmers' bargaining position.[40]

Social Results.—The social benefits which result from the organization of an association may be fully as important as the direct results. Individualism is modified in the interest of community endeavor, a community spirit develops, and the association of farmers in a business venture reacts beneficially upon their individual business methods.

"Orderly Marketing" and "Stabilization" of Price.—When coöperative associations federate to perform wholesale functions the results are likely to be much as have been described. But one important feature of the recent discussions of coöperative wholesaling deserves notice. That is the effort to "stabilize" prices through "orderly marketing." This may be done, in the first place, by influencing production so that it will accord more nearly to the demands of the market, as forecasted by the central organization. In the second place, this may be done by controlling the marketing of the crop so that commodities will go to the best markets at the most favorable times. Gluts and shortages will tend thereby to be

[39] See the *Report of the Federal Trade Commission on the Grain Trade,* Vol. I (1920), pp. 100, 198 ff.

[40] See H. E. Erdman, *The Marketing of Whole Milk* (1921), Chap. V.

eliminated, whether they be seasonal or temporary. The price will be "stabilized."

If a large proportion of any crop were controlled in this way it seems reasonable to believe that these results would follow. If the power were properly exercised the results might prove favorable to both producers and consumers. Uniform supply and stabilized prices are generally believed to be desirable. It is this which some of the associations of fruit growers and of walnut and cranberry growers have already accomplished, and it is this which the Grain Growers Incorporated hopes to accomplish.[41]

Failures.—There have been many failures in the coöperative movement. Associations have been formed where no need existed. Grain elevators have been built where the existing dealers were giving excellent service at a reasonable profit. Associations have been organized, sometimes with unfortunate results, by professional promoters whose interests were not always those of the farmers. Again, the competing dealers, particularly the great "line" elevators of the grain business, have used strenuous means to ruin the coöperatives, many times with success. In the failure of many associations the lack of loyalty on the part of members has played a large part. If a competing dealer offers a slightly higher price many farmers immediately desert their own organization. They will do so even though they may be assured that if the coöperative plan fails they will thereafter receive a smaller payment for their

[41] The legal status of such efforts under the anti-trust laws has yet to be determined. See Asher Hobson, "Farmers' Coöperative Associations," *American Economic Review,* Vol. XI (June, 1921), pp. 221–226. In this connection the following excerpt from an article in *The Market Reporter* of June 18, 1921, is of interest: "The growers in the valley [Imperial Valley] have again undertaken to restrict the movement of Ponys to market and have tentatively agreed that after June 9 no more Ponys will be offered for shipment. It is contended that the Pony melon lacks the quality of the Standards and since it is apparent that there will be sufficient Standards to meet the demand of the consuming public, the distributors are inclined to favor the move on the part of the growers."

crops. It is further claimed that the railroads, often financially interested in the business of the great "line" companies, have sometimes discriminated against the farmers by refusing to allow them to put in sidetracks and by failing to allot cars when they were most needed.

Bad Management.—The problem of securing competent managers has proved a fruitful source of difficulty. Farmers themselves have often been unable to direct the organization properly because of the lack of time or ability. They have been unwilling, moreover, to pay enough to hire a suitable manager.[42] In this connection, however, it should be remembered that the failure rate among independent merchants is also great. Education through failures, through state associations, coöperative publications, and the efforts of state colleges and of the United States Department of Agriculture, and more recently through the farm bureaus, is doing much to remove these difficulties.

Results.—The continued growth of these organizations seems to prove that they are a real benefit to their producer members.[43] Their development may be likened in many respects to the movement toward direct marketing of manufactured products. For coöperative associations are operated in the interest of the growers, just as direct marketing by manufacturers aims to control marketing in the producer's interest. Even in the matter of demand creation growers of specialties, such as the California and Florida citrus fruit growers and walnut growers and the Washington apple growers,

[42] The farmer's net cash income is usually small. A large part of his real income—house, use of his automobile, garden, etc.—he does not always consider a part of his income. The salary demanded by a good manager commonly seems to him, consequently, to be excessive.

[43] The latest discussion of the coöperative movement in the grain trade will be found in the *Report of the Federal Trade Commission on the Grain Trade,* Vol. I, 1920; among other recent discussions of coöperation in agriculture are part III of B. H. Hibbard, *Marketing Agricultural Products* (1921), and Chaps. XII, XIII, and XVIII of Theodore Macklin, *Efficient Marketing for Agriculture* (1921).

have a problem similar to that of many manufacturers. A very real gain, furthermore, has resulted from improved grading, which has brought improved agriculture, as well as increased prices. Farmer control has increased the likelihood of the growers receiving a price for their goods which is more nearly in accord with the market price. In many cases, farmers have established shipping associations where no independent organization existed but where there was a real need. In other cases, the business of the farmers has been largely concentrated in the hands of the coöperative. This has often reduced the expense of marketing because previously it had been divided among a number of competing dealers, each operating on a small scale and at a high cost.

II. Consumer Coöperation

History of the English Movement.—The modern coöperative movement on the part of consumers was begun in England in 1844 when a few workmen formed the Rochdale Society of Equitable Pioneers.[44] Starting with a single store and with a capital of £28 they bought a stock of goods and sold flour, butter, oatmeal, and sugar. The store did a small business and led a precarious life for some years, but it gradually achieved sufficient success to prompt the growth of a number of imitators in communities near by. By 1851 there were 150 such stores in the north of England and in Scotland. In 1852 the Rochdale pioneers entered the field of production and started to manufacture shoes and clothing. Gradually, either alone or in coöperation with other stores, other products were

[44] In the United States the Civil War disrupted many coöperative enterprises which were just being established. The Lowell Coöperative Association was established in 1876 and is still doing business. For a brief summary of the American movement and a more detailed statement of its present status among farmers, see O. B. Jesness and W. H. Kerr, *Coöperative Purchasing and Marketing Organizations among Farmers in the United States,* U. S. Department of Agriculture, Bul. No. 547 (1917).

manufactured and the variety of goods handled in the stores increased. Finally, in 1855 a wholesale department was started by the Rochdale store and some of its neighbors.

Coöperative Wholesaling.—In 1863 the North of England Coöperative Wholesale Society was established, the stock of which was held by forty-five local societies. This organization grew rapidly. Buying branches were established as the business grew and in 1873 the manufacture of biscuits and sweets was begun.

"Today the Annual of the Coöperative Wholesale Society shows that it has five clothing factories, eight great flour mills, woolen cloth works, cocoa and chocolate works, soap, candle, glycerine, lard, starch and blue works, furniture, bedding and cartwrighting factories, printing, bookbinding and lithographic works, preserve, candied peel and pickle works and vinegar brewery, shirts, mantle, and underclothing factory, cap and umbrella making factories, and that it also manufactures overalls and shirts, drugs, pinafores and blouses, leather bags, cigars, and tobacco, flannels and blankets, corsets and hosiery, paints, varnish and colors, brushes and mats, hardware and tinplate, butter and margarine." [45]

Failures and Successes.—Many enterprises have failed, many stores have failed, but the movement has grown and prospered generally until in 1915 the Coöperative Wholesale Society had investments and assets of over $38,000,000; deposits and withdrawals in its banks were $1,347,678. A cooperative insurance company carries the fire insurance of the societies, a health insurance section has 165,000 members. The society now has factories, farms, plantations, and buying agents all over the world.

A similar society in Scotland has had a like growth and in some large undertakings the two concerns coöperate. But the movement is not confined to Great Britain. In one form or another it is found on the continent. There has been a remarkable growth of consumer coöperation in Germany, France,

[45] E. P. Harris, *Coöperation, The Hope of the Consumer* (1918), pp. 222-223.

Belgium, Denmark, and other European countries, a movement which appears to have been accelerated by the World War.[46] These continental selling organizations are like that in England, with local stores, central wholesale stores, and control of the production of important products. In some instances the coöperatives have coped with great combinations, bringing them to terms or establishing their own plants in successful competition. There are twenty-four wholesale societies in Europe. Of these there were five, each of which did an annual business of over $40,000,000 in 1916.[47]

The Nature of Consumer Coöperation.—As Harris puts it, the early coöperators desired (1) to get honest goods as cheaply as possible, (2) through the medium of a democratically controlled association, (3) operating in its purchases and sales as the representative of the buyer rather than of the seller.[48] They did not associate themselves for profit, as do the organizers of the ordinary mercantile establishment, but to procure low prices to the consumer.

Coöperation thus attempts to replace the "push" of the profit-seeking merchant by the "pull" of the consumer, and whereas the aim of the merchant is to make a high net profit, the coöperative store aims to procure good goods for its owners at low cost.[49] To assure consumer control of the store and

[46] The English Wholesale Society's business in 1917 amounted to over $300,000,000. See pamphlet by Albert Sonnichsen, *Consumers Coöperating During the War,* published by the Coöperative League of America, 2 West 13th Street, New York City, November, 1917.

[47] The story of the growth of European consumer coöperation is most interesting, and it has been presented to the world in excellent form by its many admirers. See E. P. Harris, *Coöperation, The Hope of the Consumer* (1918); Albert Sonnichsen, *Consumers' Coöperation* (1919); also various references mentioned in James Ford's "Annotated Bibliography of Consumers' Coöperation," *The Survey,* Vol. 39 (Feb. 9, 1917), pp. 517–18 (reprinted by the Coöperative League of America); and Sidney and Beatrice Webb, *The Consumers' Coöperative Movement* (1921).

[48] E. P. Harris, *op. cit.,* pp. 88–94.

[49] "The profits of merchandising which should be saved to the con-

to maintain interest in its activities the plan was early adopted of paying dividends on the amount of the purchases each individual coöperator made rather than on the amount of stock he owned. Furthermore, each shareholder is allowed but one vote no matter how many shares he may own. The market rate of interest is paid on the stock, and any surplus above that is divided on the basis of purchases. These, it will be seen, are the fundamental features of coöperation.

The prices at which goods are sold are substantially the same as are those in competing stores,[50] so that the consumer benefits financially only at the end of the year when the books are balanced, and necessary expenses paid, and reserves set up. What then remains of the surplus is divided on the basis of the patronage received.. This price policy has proved to be a strong feature of English coöperation. Because they sell at the same price as competing retail stores, the English coöperative societies avoid some of the opposition always felt toward price-cutters. But of greater importance is the fact that this policy gives the store a stronger financial position. It is not easy to tell in advance just what price will cover costs, nor is it wise to hew too close to the line. To have a surplus strengthens the store's financial structure and its credit as well. Then, again, there is a psychological advantage in the system. To save a penny here or two there seems of little moment, but to receive twenty, thirty, or fifty dollars as a patronage dividend once a year indicates more clearly the service of the store to its patron. It is also better for the

sumer are not so much as the downright wastes—wastes incident to competition, and wastes incurred by the present profit store to attract but not to serve consumers; all sales pushing, for instance, beyond legitimate enlightenment of the consumer, all expenses, in short, not necessarily incurred to bring goods to the consumer."—*Idem,* p. 63.

[50] See Bexell, Macpherson, and Kerr, *A Survey of Typical Coöperative Stores in the United States,* U. S. Department of Agriculture, Bul. No. 394 (1916), p. 11. The particular stores with which the English coöperatives compete are the "multiple stores" which correspond to our chain stores.

patron to receive his dividends in this way. A sum of such size to a family of small means has often been the nucleus for a respectable bank account, a home, or a government bond. Thrift is promoted.

A related feature of the English coöperative retail stores is the cash sale. The goods generally purchased are sold only for cash. This eliminates the investigation of credit incident to credit sales, as well as the loss through bad debts, and the consumer is himself protected from unthrifty habits—a service of no mean importance to the average laborer, of whom the coöperatives have been largely made up.[51]

Use of Surplus above Costs.—The normal practice of the English societies in the use of the surplus above costs is as follows: First come reserves for advertising the coöperative movement; next, reserves for educational facilities for the members and their families; then, for extensions and for the interest on the capital invested; and finally, the patronage dividend.[52]

To illustrate the financial features of consumers' coöperative stores the following example is quoted.[53] Assume that a store society with $10,000 capital has

Sold goods to its members in a year amounting to.....	$100,000
Made a gross profit of	25,000
Paid expenses of	15,000
And has what, in an independent store, would be a profit of	10,000

[51] Sales at competing retail prices and sales for cash are not fundamental features of consumer coöperation. In fact, many stores, particularly in America, endeavor to reduce prices. Important economies result from cash sales and since the aim of coöperation by consumers is usually to reduce prices, rather than to improve service, they prevail quite universally.

[52] Dividends are not distributed in Belgium but are used for certain group activities, including the *Maisons du Peuple,* popular social centers.

[53] E. P. Harris, *op. cit.,* p. 89 ff.

The distribution of gains might be as follows:

1. Reserve for education	$ 500	
2. Other reserve	500	
3. Interest on stock, 6%	600	
4. Dividend on purchases, 8%	8,000	
Total distributed		9,600
Surplus		400

A member who owned $50 in stock and had purchased goods to the amount of $500 would receive:

A dividend on his stock at 6%	$ 3
8% on purchases	40
Total	$43

Integration.—But the coöperative movement has not stopped with the local store. In the effort to save for the store's owner, the consumer, it became evident that there are great advantages to be obtained from controlling the channels through which the goods are procured. By combining their purchases, stores can buy in large enough quantities to procure better prices and they can afford to hire their own buyers—experts—to represent them in the producers' market. Even this has not sufficed, and the European movement has extended to the control of manufacturers, to agriculture, banking, insurance, and even to the ownership and operation of ocean-going vessels.[54]

Economic Aspects.—What are the economic advantages which are said to result from consumer coöperation? The coöperative store is operated in the interest of the consumer and is controlled by him. Its main activity is the purchase of goods for the consumer, whereas in the ordinary merchandise establishment goods are purchased when the consumer demands them or when the proprietor feels that he can make a profit from their resale. The profit element

[54] In the United States a considerable volume of purchasing is done by coöperative grain elevators and similar coöperative selling organizations for their patrons; see Jesness and Kerr, *op. cit.*

is lacking in the coöperative store, and, if the management is equally good, this is its economic strength. The retailer at his worst is tempted to shortweight, to overcharge, or to oversell in order to make a profit, but the coöperative store at its best aims to get what the consumer wants at the lowest possible price consistent with the quality and service desired. As the management is controlled by the consumer, the latter is represented in the producer's market by a skilled buyer with the consumer's point of view, working in the consumer's interest.

Any savings which result from doing away with the middleman's profit, through quantity discounts, direct purchases from producers, or from the elimination of expensive methods of demand creation, go to the consumer. This is important. For in the competitive market organization it is by no means certain that such gains benefit the consumer. The results of superior merchandising, whether wholesaling or retailing, are not likely to be passed on to the consumer to any greater degree than is necessary to keep his patronage and to meet competition. The remainder quite properly goes to swell the profits of the superior merchant.[55]

Some Selling Costs Cut Down.—It is undoubtedly possible for coöperative stores, especially when many units are working together, to save some of the selling costs of the competitive merchandising organization through removing "the din of aggressive advertising and salesmanship." Moreover, in so far as manufacture and wholesaling are integrated, all selling ef-

[55] A popular error which is of interest should be commented upon at this point. It is often assumed that the firms which make the highest profits in a given field are "profiteers" or "grafters," whereas in a competitive market it is in reality the high profit firms that are the greatest protection to the consumer. This is not on account of the high profits, but of what they indicate, namely, that the methods of such firms are superior to those of their competitors. It is they who are able and most likely to lower prices, whereas it is their high cost but low profit competitors, whose product is necessary to meet existing demands, that set the prices. See pp. 411–412.

fort directed toward wholesalers and retailers may be entirely replaced by a simple form of announcing new products with a description of what they are. Furthermore, the profit incentive which so frequently manifests itself in adulteration, underweight, overcharge,[56] is not so evident in the coöperative store, and such deceptions and tricks on the part of producers and their salesmen as prevail can be detected by the coöperative buyers when they are skilled in their task.[57] It is also likely that goods go by a more direct physical route from producer to consumer.

The "Coöperative Spirit."—But economic advantages do not seem to be the only means through which the coöperative movement has succeeded. There is another important factor in that intangible something which the exponents of the coöperative movement have sometimes called the "coöperative spirit," a spirit which appears to combine patience to wait for results with a willingness on the part of the coöperators to stick together through adversity. Where consumer coöperation has best succeeded it has had for its patrons thrifty persons, realizing the need for small savings, living in the same social stratum and with a common class feeling. This spirit as manifested in England has not been confined to the coöperators alone, but is also manifest on the part of the management.

"Perhaps nothing impresses an American as more striking about this great business than the oft-cited fact that William Maxwell, who was for thirty years the president of the Scottish Wholesale, conducted its fifty-million-dollar-a-year business and never demanded a higher salary than $38 a week." [58]

[56] In the ordinary retail store some goods, such as staples, are commonly sold at cost or near, but many others with the values of which the consumer is not acquainted, are sold on large margins. Both the ethics and the desirability of this are now disputed points.

[57] That the efforts of coöperative managers to make a showing will tend in this direction of dishonest practice seems likely, and undoubtedly tends in some degree to offset the advantages mentioned. This, however, is less in evidence as the movement grows and prospers.

[58] E. P. Harris, *op. cit.*, p. 225.

Mr. Maxwell is said to have been only one of many who have received and do receive their recompense not in private profit but in public service.

Enthusiasts declare that it is the lack of this spirit which has been at the root of all coöperative failures. Impartial investigations of American coöperation have, however, unearthed more concrete reasons for the many failures of coöperation by consumers in the United States.

Weak Elements in American Consumer Coöperation.—(1) The lack of any effective central organization through which to handle problems which could be solved through such an association has been one cause for failure.[59]

(2) The refusal of wholesale houses to sell the coöperatives has been another source of weakness.[60] Inasmuch as American coöperation has commonly gone no further than the organization of retail stores, dependent upon the usual channels for their products, they could not possibly expect to do more than save the net profit of the retailer, and possibly some of his costs for demand creation and for such services as the coöperators are willing to perform for themselves. In the case of small stores these savings and these profits are usually minor, not large enough to appeal to the average American as worth while.[61] With wholesalers refusing to sell, or discriminating against them, even this saving has often disappeared.

[59] Only recently has a national organization been attempted. The Coöperative League of America, 2 West Thirteenth Street, New York City, serves as "a National Association for Coöperative Unity and Education."

[60] Of approximately 60 stores reporting in 1916, "It is interesting to note that only 27 stores believed that they bought at the lowest price, while 11 said positively that they bought at a disadvantage. The reasons given were: (1) inability to take advantage of discounts, and (2) in a few cases, discrimination on the part of wholesale houses against the coöperative store."—Bexell, Macpherson, and Kerr, *op. cit.*, p. 14.

[61] At any rate this is usually accepted as true. The fact, however, that the retailer's share of the consumer price is usually in the neighborhood of one-third may in the end prove to be larger than necessary.

(3) In the United States there has been an absence of that social-economic status requiring small savings and of the consciousness on the part of large numbers of a social kinship, which appear to be so important to European coöperation. Without these, the movement has never achieved sufficient size or sympathy to carry on successfully those wholesaling and producing activities which have been so essential to the success of European coöperation, and from which alone could result those substantial savings which would make a wide appeal to American consumers. It seems more than possible that this spirit is now developing among large numbers of the classes which have found themselves pinched by the rising costs of living; and the bitter conflicts over wages and working conditions of recent months have undoubtedly strengthened such a feeling.[62]

A further consideration in this regard is the fact that American populations are less settled than are those of Europe. They move about too much to develop a close neighborhood feeling or a sufficient degree of confidence in their neighbors to make them willing to stake much in such an enterprise. Questions of nationality also enter in, and the mixture of races in many of our industrial centers, with its accompanying jealousies, has not been conducive to coöperative activity. Coöperative efforts seem to thrive best where there is a greater community of interest. Thus the Finns and other foreign peoples in sections of Massachusetts, Michigan, Northern Wisconsin, and Minnesota have developed successful cooperative stores. This may also account for the fact that many coöperative stores in the United States are found in small towns and are largely patronized by farmers.

(4) Another weakness of consumer coöperation in the United States is the failure of Americans to feel the need for the small savings which result from coöperation. In this connection, it should be said that American coöperative stores

[62] Several labor organizations have undertaken coöperative enterprises.

have until recently tried to show immediate results through lowered retail prices. The very small saving usually possible on an individual purchase has been disappointing to the coöperator.

(5) There is frequently a lack of business knowledge on the part of the coöperators. This has proved to be the greatest cause of failure. In this last connection, a recent government investigation has shown that the "precariousness" of coöperative mercantile business is due to inefficient accounting and auditing more than to any other single cause.[63]

(6) The handicapping of American stores in the past through lack of laws recognizing the validity of the coöperative features of one vote and the patronage dividend has also been a cause for failure. Organized as coöperators they have frequently lost their coöperative nature soon after their organization and have become regular commercial organizations.

[63] Bexell, Macpherson, and Kerr, *op. cit.*, p. 16.

CHAPTER XIV

THE ELIMINATION OF MIDDLEMEN

I

The attacks on "profiteering" which arose out of the high prices incident to the World War have re-emphasized the recurrent discussions of the "enormous profits" of middlemen, of the wastes of the existing distributive system, and of proposals for its reform[1] This type of discussion is always present, but it becomes more insistent during periods of rising prices. Thus, for some years past, agitation for the "elimination of middlemen" has been carried on from the standpoint of the general consumer and of the farmer, hitherto the two great unorganized groups in the market. Much of this agitation has been confined to the distribution of agricultural products. But unnoticed by the public and even opposed by it when connected with the "trust movement," there has developed a very definite elimination of middlemen in the marketing of manufactured products—a movement which has perhaps gone further in this country than have the similar movements of farmers and consumers. Moreover, although the public has evidenced a greater interest in products intended for the retail trade, the greatest amount of "direct" trading is being done with production goods, equipment, and supplies[2]—products which are either raw materials for manufacture, semi-manufactured raw materials, or finished products intended to be

[1] This chapter summarizes parts of previous chapters in order to bring together the facts bearing on this query. It thus serves as a partial summary of what has gone before.

[2] See Chaps. VI and X.

used in further production.[3] Wool, cotton, and rubber are examples of the first class of products; yarn, iron ore, and automobile parts are representative of the second; and machinery is a good example of the third.

Definition and Limitation.—There are many types of middlemen, operating in many different ways and under varied conditions, and the question of their elimination assumes a variety of forms not usually appreciated by the uninitiated. Some definition and limitation of the subject, therefore, will clarify the discussion.

The bank, the railroad, the insurance company, and other functional agencies are, in a sense, middlemen. But the middlemen in question are of the two classes previously considered:[4] those who take title to goods for the purpose of resale; and the functional middlemen of purchase and sale who do not take title, but who assist directly in bringing about the transfer of title.[5]

The present discussion will be further limited, since two distinct problems arise:

1. There may be too many independent middlemen operating between producer and consumer.
2. There may be too many middlemen of each type.

[3] See pp. 7–9.

[4] Pp. 5–7.

[5] The following quotation describes the first type of middlemen as they operated before the more recent changes that have taken place in market organization:

"Each took the risk of destruction of the goods while he held title. Each took the risk of credit losses. Each took a share in the transportation of the goods along the route from the producer's stock room to the hands of the consumers. Each took a part in financing the entire operation. Each had a part in the selling, disposing of the goods he purchased to succeeding middlemen and finally to the consumer. And each finally took a part in assembling, assorting, and re-shipping the goods to make them physically available to the consumer."—A. W. Shaw, "Some Problems in Market Distribution," *Quarterly Journal of Economics,* Vol. XXVI (1912), p. 731. (Republished in book form under the same title.)

It is contended that some products go through the hands of more independent firms than their most effective distribution requires. This is the situation most often in mind in current discussions. But although this is more widely discussed, it is not always the most important aspect of the question of eliminating middlemen. Many careful students hold that there are too many individual firms engaged in the work of each step in marketing—too many country shippers, commission men, brokers, jobbers, and retailers. This involves the question of determining what scale of operation is most effective. No attempt will be made at this point to discuss this second problem.[6]

Nature of Criticism.—In the consideration of the first problem there are two types of criticism of the middleman system which are not always clearly distinguished. It is held that the cost of marketing is greater than it should be, or that the service is inferior, because the goods go through "too many hands." And it is further maintained that so much machinery makes it possible, somehow, for some or all of the links in the chain to "take out" a larger profit than their service warrants. Consequently, it is asserted that this profit would be saved if more "direct" methods of buying and selling prevailed. Two important classes of argument are thus advanced in favor of eliminating some of these successive middlemen. It is urged (1) that better service will follow at the same or a lower cost, or that lower cost will prevail for the same or better service; and it is also asserted (2) that profits to the middlemen will be reduced and the profit accrue to producer or consumer in the form of higher prices to the former and lower prices to the latter.[7]

[6] It will be discussed in Chap. XXVI.

[7] When marketing processes are combined by a middleman, any resulting reduction in the profits of the integrated steps is likely to benefit, in part at least, the middlemen absorbing them rather than the producer or consumer. This will be true unless competition forces prices up, or down.

Who Can Eliminate Middlemen?—Middlemen may be eliminated by the action of producers, consumers, or other middlemen. The farmer who sells his produce to the consumer has passed over one or more possible middlemen; the manufacturer who utilizes his own organization for reaching the jobber has eliminated an agent between himself and the jobber, and if he sells to the retailer he has also eliminated the jobber, and if he sells to the consumer, he has gone around the retail dealer as well.[8] The consumer who buys from the farmer, the coöperative association which runs a retail store, and the department store, chain store, or mail order house which buys from the manufacturer, as well as the jobber who runs his own retail stores—these have all eliminated middlemen. They are themselves, in other words, performing the functions which would otherwise be performed by independent market agencies. Again, the market functions may be performed "directly" only in part. Manufacturers of staple consumption goods, in particular, ordinarily utilize the services of the jobber and the retailer to perform some of the market activities necessary to the distribution of their products, and utilize their own organization for the remainder.[9]

In many cases it is not quite correct to say that a middleman has been "eliminated"; for the particular farmer or manufacturer may never have sold through a middleman. But the determination to sell direct involves a choice of methods.[10] It involves, consequently, much the same result in method and

[8] It should be kept in mind that many manufactured products are not made for immediate consumption, but are sold to other manufacturers for further change or for use in making other products.

[9] See Chaps. VIII and X.

[10] At this point it will lead to a better understanding of the points at issue to review the marketing functions. See Chaps. I and II. In his article "Some Problems in Market Distribution," A. W. Shaw calls them "functions of middlemen," *Quarterly Journal of Economics,* Vol. XXVI (1912), p. 731.

in market influence as though middlemen had been used earlier and then discarded.[11]

The actual status of the middlemen in different types of marketing has been discussed from time to time.[12] It remains to summarize the conclusions of previous chapters in so far as they bear on this subject and to add such new data and draw such general conclusions as seem warranted.

II

The Situation in the Agricultural Market.—For years there have been more or less insistent demands for the elimination of middlemen from the agricultural market—demands that the product go more "direct" from producer to consumer. The statement has been made and widely circulated that the farmer receives on the average but 35 per cent (or some other small per cent) of the retail price of his product.[13] Examples have been frequently quoted, as typical of all kinds of products, of farmers who have received seventy-five cents for a barrel of apples for which the consumer paid as high as four dollars. The conclusion commonly drawn from such statements is, of course, that either some one is getting enormous

[11] This is not entirely true. For example, the antagonism felt by former distributors would be lacking, and if there were no recognized dealers in this product, dealer competition would be at a minimum.

[12] The elimination of middlemen in the agricultural market by farmers as well as elimination of middlemen by consumers, was discussed in the last chapter. The elimination of middlemen by large retail middlemen was covered in Chap. XII, and some of the factors in the use of middlemen in distributing manufactured goods were discussed in Chaps. VII, VIII, IX and X.

[13] The following table of percentages is taken from L. D. H. Weld's investigation of Minnesota prices, "Market Distribution" in Bulletin No. 4, *University of Minnesota Studies in the Social Sciences,* pp. 7–9. It shows the margin "taken out" for distribution in a much more favorable light than do many popular statements and propagandist remarks.

profits, or else that there is gross inefficiency in agricultural distribution. Investigation shows that, in general, however, dealer margins for staple products are usually very much less than such figures seem to indicate, and that the marketing of agricultural products is surprisingly efficient in view of the problems which are involved.[14] On the other hand, it is equally true that some middlemen do reap enormous profits

[13] *Note continued.*

Product	*Value of Commodity Marketed*	*Per Cent of Retail Price Received by Farmer*
Milk	$7,000,000	45
Cream	1,400,000	40
Butter fat	11,000,000	75
Dairy butter	3,600,000	75
Poultry	1,800,000	45
Eggs	6,200,000	69
Live stock	34,000,000	55
Grains	56,000,000	70
Potatoes	3,000,000	50
Other vegetables	1,000,000	30
Fruits	200,000	30

[14] See L. D. H. Weld, *The Marketing of Farm Products,* especially Chaps. IV, IX, and X. Some figures popularly quoted contrast the price received by the farmer with the price of the goods on reaching the consumer after manufacture, implying that the difference is the cost of distribution. Such comparisons are always erroneous because they include the cost of manufacture in the marketing cost. Furthermore, many such comparisons have been made on a volume basis. Since much of the original raw material is not contained in the final product this comparison is also erroneous.

The margins of various dealers in the farm market are shown on p. 510. A more detailed table, which covers the cost of marketing wheat, follows. This data appeared first in Kerr and Weld, "Prices of Wheat in Kansas City, etc.," *House Document 1271,* 63d Congress, 3d Session, p. 27. It will be found in Weld, *The Marketing of Farm Products,* p. 212. Note that of the 26.5 cents spread between the farmer's price and the Philadelphia price, 21.8 cents was paid out for railway freight. Under the rates now prevailing this is both relatively and absolutely greater.

at times, that dishonest practices are found, and that gross inefficiency is sometimes present.[15]

Direct Buying by Manufacturers.—It was shown in Chapter VI that manufacturers often buy their raw materials directly from the source of supply. In fact, it is probably more common for manufacturers to buy their important raw materials immediately from the producers than to sell their final product to the consumer, or even to the retailer, through their own sales organization. And it has been shown that some go so far as to control or even own the source of supply of their raw material. Large growers and large buyers of agricultural products generally tend to go over the head of one or more of the middlemen of the usual channel of distribution.[16] Manufacturers of mechanical devices buy important parts and equipment, which they do not make themselves, al-

[14] *Note continued.*

	Cents per Bushel
Price received by farmer in Kansas	87.0
Margin taken by country elevator	3.0
Freight rate to Kansas City	6.2
Inspection, weighing, and interest on draft	.25
Commission	1.0
Price paid by shipper in Kansas City	97.45
Freight rate, Kansas City to Philadelphia	15.6
Mixing in Kansas City elevator	.25
Exchange	.20
Overhead expense of shipper	.375
Net profit of shipper	.625
Price, delivered in Philadelphia	114.500

[15] The "middleman" most railed against is probably the jobber. Yet his margin of profit is usually very low and his efficiency very great. On the other hand, the retailer's margin is very great and his efficiency very low. See Chaps. XI and XXV; also L. D. H. Weld, *The Marketing of Farm Products,* Chaps. IV and VI.

[16] "In a few cases eastern mills buy, in the 'fleece' wool sections, direct from representatives who collect small lots for them. Occasionally, an eastern merchant may attempt to secure his supply direct from the farmers, but this method is expensive, slow, and pays only under exceptional circumstances."—P. T. Cherington, *The Wool Industry,* p. 61.

most exclusively through their own buyers or through the salesmen of the manufacturers. In fact, in most cases involving the sale of production goods to manufacturers in which the number of producers is small, or the number of manufacturing concerns is small, and particularly when the volume of business is large, there is a probability that direct connections will be established and that consequently the services of the middlemen will not prove essential.[17]

Many raw materials and semi-manufactured products are, nevertheless, better handled through middlemen, and not always for reasons of immediate economy. This is true, for example, in the textile trade. Thus Copeland after relating that "the pound of cotton will pay tribute to two Liverpool brokers, to a yarn agent and merchant, to a cloth agent, converter, and merchant, and finally to a wholesaler and retailer," says:

> "The advantage accruing from this multiplicity of middlemen is not inexpensiveness but flexibility. The tentacles of the Manchester trade reach out to all corners of the world, and whatever form of manufactured cotton is sought, whatever accomodation is desired, some one can be found in Manchester ready to accept the commission. Of all the assets which make it possible for the cotton industry to attain its largest dimensions in a country which does not produce the raw material, and which consumes only ten or twenty per cent of the yarn and cloth manufactured in its mills, none is more significant than the adaptability of the commercial organization." [18]

Direct Marketing of Manufactured Products.—It was shown in Chapter X that with their organizations growing in size and financial strength, and with the problems of organization for production nearer solution, many manufacturers have now time and financial resources to devote to the sale and distribution of their product. As a consequence of

[17] See pp. 286–287.

[18] M. T. Copeland, *The Cotton Manufacturing Industry of the United States*, p. 371.

this, and of the pressure of increasing competition, numerous establishments have taken over, in whole or in part, the distribution of their products as well as the purchase of their raw materials. Manufacturers have, in fact, assumed charge of the sale of their products to such an extent that there is today a large and growing part of the selling field which is either in a state of transition or which has already passed from the control of wholesale middlemen to that of the manufacturers. There is, at present, not only a great pressure on manufacturers to create a demand for their products, but that pressure is continuous if they would hold the demand that already exists and the new demand which they may create.

Jobbers, likewise, often reach out and buy directly from producers products which are commonly handled by middlemen between producers and jobbers, so that the services of selling and purchasing agents are now frequently dispensed with by the larger jobbers. And large retailers generally endeavor to buy directly from producers. This may be accomplished through their ability to order in large enough quantities to afford an inducement to the manufacturer to sell directly to them at wholesale prices.[19] Or a store may establish a wholesale department in order to obtain wholesale prices. Large chain stores usually buy directly and have their own jobbing organizations. Smaller stores frequently combine their purchases and order in large amounts directly from producers, or form a wholesale organization of their own.

The chief efforts of farmers and of final consumers to eliminate middlemen have taken the form of association into coöperative organizations. In addition to this, individual producers and consumers do some direct marketing in their use of public markets, the express service, and parcel post.

[19] Sometimes prices are based entirely on the quantity bought, regardless of whether the purchaser is a retailer or a jobber.

III

The Arguments for Elimination.—Much of the argument for eliminating middlemen arises from the false notion that the fewer the distinct agencies that handle a product, the more quickly, efficiently, and cheaply it can be delivered to the consumer.[20] In production it is not disputed that the division of labor leads to better and cheaper production. But many fail to realize that the advantages of specialization and division of labor apply in marketing as well as in production.[21] At least they are not convinced that this is true. Of course, few argue that banking, transportation, and insurance are not better performed under existing specialized methods than would be the case if those services were performed by producer or consumer. But that equal efficiency results from the presence of specialized country shippers, jobbers, selling agents, and retailers is not so commonly accepted. Yet this is true, and it is unconsciously recognized by those who appear most anxious to correct the existing system.

When farmers, for example, eliminate a middleman by means of a coöperative association they themselves perform, through a specialized organization, the very functions he performed. When an association is formed at a local market where no middleman exists, another middleman is, in effect, added. An organization, such as the Cali-

[20] Much of the attack upon the middleman smacks of the ideas of the middle ages and the early modern era when it was quite generally held that merchants were "unproductive", and so parasitic, and given to deceit and to dishonest practices generally. For an interesting collection of these early views see Nystrom, *Economics of Retailing,* Chap. I.

[21] For the best presentation of this argument in the case of the agricultural middleman, see L. D. H. Weld, *The Marketing of Farm Products,* Chap. I, and other parts of the book in which the problem is discussed. See also E. G. Nourse, *The Chicago Produce Market* (1918), pp. 176–178, and H. Clay, *Economics for the General Reader* (American edition, 1918), pp. 47–53, 74–76, 82.

fornia Fruit Growers' Exchange, performs the same functions as does an independent agency. When a manufacturer eliminates a jobber he must perform the jobbing function himself, and when consumers eliminate a retailer or even go further and eliminate the jobber they themselves perform the dealer's functions.[22] The farmers' organization is directly supervised by a manager and committee, who are supposed to be, or to become, specialists and experts in marketing; the manufacturer has his special selling organization, and establishes branch selling houses and storage facilities; and so, likewise, consumers duplicate existing machinery when they buy "directly." Even individual farmers who market directly must give much time and attention to the performance of their market activities, and take over the work of middlemen.

At the root of much misunderstanding is a general failure to realize that the work of marketing has to be performed and that it usually involves labor as difficult and as expensive as the work of production. A commodity is only half produced, in fact, when it is harvested or manufactured. Consequently, the statement that the services of a middleman have been eliminated sometimes proves misleading. For many persons assume therefrom that the functions which that middleman performed have likewise been done away with. But this is not the case. When, for example, a manufacturer sells directly to the retail trade, it is necessary for him to create the demand for his product through the use of advertising or salesmanship, or both; whereas under the orthodox system he depends upon the jobber or the selling house for this service. Again, as was the case to a large degree after America entered the World War, when the pressure in a given trade is on the purchaser, it means that the buyer who goes around the middleman must himself take over the buying and assembling functions of the middleman.

[22] The consumers even go further in England and "eliminate" the manufacturer in some cases, and even the farmer. See p. 265.

Who Profits from "Elimination"?—Since middlemen may be passed over by producers, by consumers, or by other middlemen, the effect of this elimination upon the various parties to the market is of interest. The objects, for example, of producer and consumer coöperation are to increase the farmers' price, or to lower prices to the consumer, through reducing in each case the spread between producers' and consumers' prices.[23] The two objects may well be antagonistic. Farmers' organizations which eliminate middlemen are likely to assume that existing market prices will continue to prevail. They do not anticipate that the consumer price will be lowered, but rather that their share of that price will be greater. A little different aspect of this attitude is shown in the attempts of some farmers' organizations to hold back or even to destroy surplus crops in years of heavy yields, to reduce acreage when there are prospects of a falling price, and in their opposition to the free importation of competing agricultural products. Ultimate consumers, on the other hand, believe they are benefited by large home crops, and by large importations of foreign crops which depress the price of the commodities they consume. And when a middleman "goes around" another middleman, his chief interest is to gain for himself any expense or profit which is saved, or any market control which may result. These facts indicate that any good results from the elimination of middlemen, do not necessarily accrue to both producer and final consumer. Either may absorb, at least temporarily, any "profits" or "saving" that result without passing them on to or dividing them with the other. It is possible likewise that the gain may be absorbed by a middleman.

This, of course, should not be construed as an argument

[23] The "spread" is the difference between the price received by the seller and the price which he pays. It thus refers to the difference that results from the product going through the hands of one middleman, such as the retailer. It may also refer to the total difference between the price paid to the producer and the price paid by the consumer.

against the improvement of methods where that is possible, and it is not an argument against reducing any undue profits reaped by middlemen. Such ends are just as desirable as it is to avoid waste in consumption, to prevent inefficiency and incompetence in production, to curtail combinations of buyers which force down prices, or to reduce inordinate profits reaped by producers. In the end, competition will usually cause the savings which may result from superior methods to benefit the producer and consumer.

The Importance of Service.—In the discussion of the use of middlemen as it relates to the costs of distribution, there is a rather common failure to consider the service performed. Much of the excessive cost of distribution can be attributed to the prevalence in the retail trade of small neighborhood stores, free deliveries, returns, allowances, and the granting of credit. Conditions of this kind have their effect throughout the whole distributive organization. The great variety of products found in some lines of trade caters to the consumer's demand for something new and different. This desire of the consumer for new and varied products practically forces the whole trade to provide them. The failure of one dealer to do so is quickly capitalized by his competitors. Provision must be made by manufacturers and wholesalers for delivering small quantities of goods at frequent intervals, in order to avoid loss through style changes, change of prices, or deterioration of perishable commodities. This causes excessive sales and buying effort and costly transportation and delivery.

The Problem Is One of the Control of Specialization.—It appears that the crux of the middleman problem is not whether the middleman shall be eliminated as a middleman, but rather whether marketing can best be performed by independent specialized marketing agencies or by integrated organizations. That is, should production be integrated with marketing, one marketing agency integrated with another, and consumption integrated with marketing? That manufactur-

ers' marketing tends toward integration seems beyond dispute, although, as has been shown, there are many conditions which may definitely retard the movement. The trend has not been so evident in agricultural marketing because the smaller size of the units which buy and sell makes it more difficult, and because the problem of demand creation, which is often a compelling motive leading to the manufacturer's desire to control his market, is not so important with agricultural products. But with the recent development of coöperative marketing of farm products and particularly the development of coöperative federation, the trend is evidenced in agriculture.

When integration does take place, specialization is not done away with. Separate specialized efforts are then coördinated by the control of a single management, rather than by market forces acting upon independent factors. And there may well be some question whether such integration of marketing steps, by any means leads to lower prices even though it may tend to greater market control by the integrating party.[24]

Specialization and Integration.—Marketing seems to be developing much as production has developed. That is, specialization and division of labor take two forms: (1) they may lead to a high degree of division of processes among independent producers and middlemen, as in the textile trade; or (2) they may be brought about under the integration of specialized units, as in the steel industry. The technical basis for each is the same, but the control is divided in the one case, and unified in the other. And whereas the large producer or consumer can perhaps profitably operate his own sales or buying organization, his smaller neighbor may find this out of the question. The advantages of specialization inhere in either case. The difference is in the method of control. Independent agencies endeavor to control their activities in such a manner as to profit from their merchandising operations. When these activities are integrated with production, consumption, or, in the case of middlemen, with the operations

[24] See pp. 177–181.

of other middlemen, the integrating party endeavors to control the operations so as to forward its own primary activities.

Fundamental Basis for Control.—Such unified control is based fundamentally on the possibility of securing better service, or on the hope that the integrated service may be secured at a lower cost. This lower cost may result from a more economical performance of the service or from securing the profits made by the independent organizations.

Other things being equal, each producer is likely to prefer to market his own product when his profits depend upon successful selling. But, of course, other things are by no means equal, and in many instances the producer is lacking in ability, in knowledge of the market, or in capital. But when competition is very keen, or when the product is a specialty for which a demand must be created—conditions which exist throughout much of the field of manufacture and of merchandising and with a few agricultural products—this desire may become a necessity. It may be necessary to control a part of the market for the product, or it may be necessary to control the source of a raw material. Likewise, where middlemen have proved dishonest, or where none are available, as often occurs in the marketing of farm products, the necessity for direct action by the producer becomes evident.

Industrial Conditions Affect Market Integration.—Industrial conditions may also prove to be important elements in the decision. The development of transportation and communication, for example, has brought producers and consumers nearer together and has thereby reduced the need for market intermediaries. The introduction of "standard equipment" on automobiles—lights, windshields, tires, and other equipment—largely reduced the need to retail them and thereby to job them. The growth of chain stores has forced many competing retail firms to adopt cash-and-carry methods, and to form central buying organizations. Increased production of oranges developed a problem of demand creation for California and Florida growers. Perishable products are quite commonly

marketed "directly" because independent middlemen do not give satisfactory service. It is also true that many products carry with their sale the necessity of giving "service," i. e., repairs, renewals, equipment, supplies, instruction in the use of the product. Among these are farm machinery, tractors, automobiles, and adding machines. Service of this kind is usually most satisfactorily performed by the producer. This leads to the substitution of branch houses controlled by the manufacturer for the ordinary jobber, with a resulting close contact and close control over retail outlets. Finally, producers or buyers may become financially strong, and since this is essential to direct purchase and sale it may cause a complete reversal of the former policy.

Conditions Which Make Integration Feasible.—Conditions like those which have been outlined may make direct marketing desirable. But the desire cannot be fulfilled unless the particular project is feasible. To be feasible, the integrated service must be performed in a satisfactory manner at a cost which does not add too much to the selling price. For if the price is too high the consumer will not buy, because he cannot be made to desire the merchandise enough to do so, particularly if competing products are sold at a lower price. The feasibility of direct marketing is, therefore, basically a matter of cost. The cost must not be so far increased as to offset the advantages gained. If, on the other hand, costs are lowered, a definite advantage results.

One of the most important conditions determining the cost of direct marketing is the size of the transactions between buyer and seller. If the volume of individual transactions is large, direct dealing may prove practical. This point was touched upon in discussing the jobber's services.[25] If the buyer takes large quantities of a product, the manufacturer can often afford the expense of direct sale, and the buyer likewise can afford the trouble and expense of direct purchase. The money value of the business must be great enough

[25] See Chap. VIII.

to absorb the expense of direct sale. If the physical volume will permit, direct shipment is also practicable.

Manufacturers buying raw materials commonly purchase in sufficient volume to warrant both direct shipment and direct sale. Retailers who handle a narrow line of goods, such as shoes, clothing, automobiles, and farm implements, can usually buy directly with economy. When the sale of individual items is small, volume is sometimes achieved by selling a number of related articles. This is done by such firms as the National Biscuit Company, Heinz, the meat packers, and the International Harvester Company. Again, even though individual sales may be small, if enough buyers are concentrated in a given district the same results may be achieved. Thus, many manufacturers of grocery and drug products can market to retailers because of the density of sales, and manufacturers can sometimes market directly in a large city, although they find the cost prohibitive in sparsely settled areas. But if producers are small and, consequently, cannot sell in large quantities, or over wide territories, some medium for collecting products into central reservoirs is necessary. This is true whether the goods be purchased in the end in small quantities or in large.[26] Again, if purchasers cannot buy in large quantities, some agency for dispersion is necessary. If producers and consumers are both small, both concentration and dispersion are ordinarily necessary, and independent middlemen usually arise to perform these functions.

Scale of Production and Direct Marketing.—The points discussed in the last paragraph seem to show that the prevailing tendency in production in an industry indicates in some degree the prevailing type of distribution in that industry. In agriculture, for example, and in certain fields of manufacture, small producing units and small independent middlemen prevail. With farm machinery, mineral oil, and steel, large scale production is the rule, and here, therefore, a high degree of direct marketing is found. Quantity pro-

[26] See pp. 29–30, 39–42, 61–65, 90–91, 97, 153–155.

duction is not, however, a sure criterion of direct marketing. Sugar is marketed through middlemen, although the raw materials are usually bought direct; copper is likewise marketed through middlemen. In both instances, large scale manufacture is the rule. But in each case, quality is determinable through scientific analysis; the market price for given grades is uniform; and higgling of any kind is almost eliminated.[27] No "touting" of goods can avail under such conditions, and "selling points" are determined in the laboratory by the buyer himself. Selling such goods consists merely in bringing buyer and seller together.

Many farmers sell direct to consumers or retailers, and sometimes, as in the case of the California Fruit Growers' Exchange, the whole process of distribution is in a large measure controlled by the growers. But direct sale is an exception to the general rule, arising out of purely local conditions, such as proximity to a public market, or to the store of the retailer. In the case of the fruit growers special conditions previously discussed are at work,[28] and, furthermore, the small producing units are combined into a large marketing federation. It is this organization, not the individual growers, which does the marketing.

Importance of Individual Characteristics.—Just as large scale production seems likely to hold the field in some industries and small scale production in others, and just as neither type has yet proved superior in other fields, so in distribution various types and scales of size and various degrees of integration are found. Even in the distribution of the same product under substantially similar conditions great variations prevail. No general conclusions of themselves are sufficient to account for this. The reason in many cases seems to be founded upon the characteristics of the individual business enterprise.

[27] It also appears that the sales agencies are in reality often closely controlled by the producer.

[28] See pp. 252–253.

A firm with large financial resources may be able to undertake a direct campaign, while its financially weaker competitor is unable to raise the necessary funds, or at best is unable to withstand the financial losses in case of failure. Furthermore, the individual capacity and experience of those in entrepreneurial and managerial positions vary greatly. In one enterprise, those in responsible positions may be primarily trained in production and know little or nothing of distribution. They may realize their limitations, or, not doing so, fail in the effort to extend the scope of their distributive machinery. In a competing concern, the opposite may be the situation. Finally, it seems often to be the case that many a manager's capacity to oversee a business is soon reached. For him, a large distributive plan would be fatal. With such large variations in the capacity and training of business men it is evident that under the same conditions there may result very different solutions of a market problem.

"Profiteering."—In times of a rising market, middlemen who buy at the lower prices can resell at higher prices, so that the cry of profiteering is particularly strong during a period of rising prices. Of course, when prices fall, middlemen are likely to lose.[29] Merchants, manufacturers, farmers, and landlords are alike in reaping large profits on a rising market: if they hold goods for any time, the profits result from high prices; they, individually, and even as classes, do not cause them. The manufacturer or merchant, for example, who avoids "profiteering" by selling at cost in addition to a reasonable profit leaves the way open for the next owner to "profiteer." Seldom does the final consumer benefit.

[29] Greater losses are probably borne by producers than by merchants. Because the goods are commonly longer in the process of production than of merchandising the time element is of greater importance. Furthermore, the finished goods of the merchant can usually be liquidated more rapidly than can the producers' high priced inventories of raw materials and supplies. Likewise, unless the merchant speculates, the producer is likely to benefit more from rising prices.

Final Conclusions.—(1) The general advantages of the middleman system are the advantages of specialization and of division of labor by independent units. Such specialization tends toward more skillful and more economical operation. But it has been shown that these advantages are not necessarily lost when marketing steps are absorbed by producers, consumers, or other middlemen. The only change may be the substitution of a hired specialist for the independent specialist. Efforts to do away with middlemen may, furthermore, simply add to existing market machinery. When a department store, a chain store, or a mail order house begins to buy directly of manufacturers the elimination of a jobber does not usually result. None of the existing jobbers are thereby forced to retire. It follows rather that a new jobbing organization—within the organization of the integrating dealer—has been added to those already existing. The cost of wholesaling in general may be thereby increased. For the scale on which jobbing is carried on would be made smaller with the introduction of more wholesale organizations, old style jobbers might be left with less profitable lines, and hired managers, possibly less efficient than the independent entrepreneur, would be used in the new organization.[30]

(2) It is a false idea that the fewer the hands a product passes through in going to market, the lower will be the cost of distribution, and hence, the lower, final prices may be. This is particularly untrue when integration results in sales and deliveries which are smaller in value or in physical volume than were those made by the independent middleman. It was shown, for example, in Chapter VIII that the grocery jobber can sell and deliver more cheaply to grocers than can the manufacturer of a grocery product which is sold in small amounts. Since a manufacturer usually sells fewer products than the competing middleman whom he is "going around", a larger relative fixed investment is likely to be required,

[30] But see pp. 150, 152, Tables V and VI.

and he is likely to have larger current expenses for selling, storage, and delivery. His market risks will also be greater, for they extend over a longer time than formerly, and they must be borne by a single product or a small line, whereas the jobber's risk is divided over a wider range of products. This is true unless it is offset by superior knowledge of the market, so as to forecast important changes in demand, or unless the direct marketing creates a large consumer demand for the product.

(3) On the other hand, when integrated organizations handle products sold in large volume it may well be that direct economies result. In the first place, the cost of holding stocks is possibly lowered. Because of a close contact with, and analysis of, the specialized market in which he sells, a manufacturer or large merchant may be able to judge the demand with great accuracy. He may carry smaller stocks than would be necessary for independent dealers, because of his greater knowledge of the market and of the greater mobility of his stocks.[31] Perishable products are, furthermore, likely to be more economically stored in specialized warehouses operated by the interested producer.

(4) Again, fewer changes of title take place when integrated marketing prevails. The cost of buying and selling and of financing and bookkeeping which accompanies each successive change of title is very large. The expense becomes greater if the goods themselves are moved. When the number of independent steps is cut down, these costs are probably less.

(5) Low transportation rates for large shipments on the one hand, and the demand of buyers for small amounts delivered on short notice, on the other hand, necessitate a wholesale and a retail service for the physical distribution of many products. In so far as these factors are important this service can generally be performed with greater

[31] This last point was mentioned also in discussing large retail organizations in Chap. XII.

economy by independent retailers and jobbers who stock the products of several producers than by the producers themselves.

(6) Finally, when goods are sold on the basis of standards easily determined by the buyer, the opportunity for control of the market by means of demand creation on the part of individual producers is practically nullified. In such cases, one of the strongest motives impelling producers to market directly is eliminated, namely, the desire to create consumer acceptance, or demand, for their particular product by means of their own sales efforts.

Summary.—So long as there are small producers who cannot distribute their own products economically; and so long as there are large producers inadequately supplied with capital to carry on extensive distributive activities, or handling too limited a "line" to make direct marketing feasible; and so long as there are small retailers who find it difficult to get in direct contact with their numerous sources of supply, or with whom it does not pay the producer to get into direct contact; or so long as ultimate consumers find more valuable use for their time than to talk with, correspond with, or read the advertisements of, the hundreds of producers whose goods they consume—just so long the middleman is likely to continue to function as an independent unit and to perform services useful to society as well as to the factors in the distributive process.[32]

[32] Seeming exceptions to this conclusion are the growth of coöperative purchasing associations of retailers and consumers and coöperative selling associations of small producers. But these are really merely different aspects of the large scale methods already mentioned. They are combinations of small market units. If such systems should largely prevail, if producers on the one hand and consumers on the other should organize into great associations, the elimination of middlemen would indeed grow apace. In so far as such organizations curb undue competition among producers and among middlemen, and in so far as they eliminate undue demands for service on the part of the consumer, a real saving in costs seems to result.

CHAPTER XV

PHYSICAL DISTRIBUTION

I. Transportation

Introduction: Importance of Transportation.—Many of the evils and much of the strength of our market system have their origin in transportation methods. Slow deliveries and inadequate equipment cause products to deteriorate before reaching their market, and slow deliveries necessitate the maintenance of excessive inventories of stock and materials by stores and factories.[1] Rapid, efficient, cheap transportation is essential to effective distribution.

One of the most important aspects of transportation is the effect of transportation rates upon the expense of marketing. As an integral part of the necessary cost of marketing, these rates affect the prices at which products are sold. And, as an essential part of the cost of marketing they largely determine in what markets the products of a particular section can be sold. Transportation is likewise of importance in determining the location of trade centers. The geographical situation of a city with natural transportation facilities at a strategic point between areas of production and consumption

[1] "Mr. Ford, owning his own railroad and insuring prompt freight movement, cut down his investment in materials on hand by no less than $28,000,000!"—Judson C. Williver, "Henry Ford, Dreamer and Worker," *Review of Reviews,* Nov., 1921, p. 488.

During the World War many retailers, because of the uncertain and slow deliveries, kept twice the stock on hand in some lines that they had before the war. This was true even when the general shortage of supplies was not felt.

practically assures that city a place of importance as a commercial center. Thus,

"Denver's geographical location at the foot of the Rocky Mountains, near three of the natural passways to the Far West followed by the Union Pacific, the Denver and Rio Grande, and the Santa Fe railroads, has made it a distributing-point for a large hinterland." [2]

Again,

"It is not a chance fact that St. Louis has developed the largest mercantile hardware house in the world. The city stands near the southwestern apex of the industrial peninsula, and the farming, mining, and grazing interests of the wide surrounding territory demand hardware more than any one class of commodities. . . . This same distributing function characterizes also in a less degree the ten cities with a population of over twenty-five thousand along the Mississippi, the seven on the Missouri, and seven on the Ohio." [3]

With the development of railroads, cities with these natural commercial locations are usually chosen as railroad termini. They then become railroad centers and their commercial prominence is thereby enhanced. For the competition between railways, and often between railways and waterways, gives to such cities an added advantage. This is because competitive necessity once made lower rates to and from them than it made for less favored communities. In consequence, a position naturally strategic has been strengthened with the development of railroads. For with the added advantage of the lower railway rates there is greater reason than ever to use these places as market centers from which to supply outlying territory. Milling and storing in transit privileges, together with special carload rates, commodity rates, basing point rates, and other privileges of railway rate structure, together with the competitive advantage of generally low rates, assure to such cities a continuance of their position as important commercial centers.

[2] Helen Churchill Semple, *American History and Its Geographic Conditions* (1903), p. 361.

[3] *Ibid.*, p. 344.

The widening of the markets available to producers and distributors is always of interest to transportation agencies, for the carrier's volume of business is thereby increased. Railroads in a given territory, for example, usually make rates in such a way as to enable their producers and distributors to sell in as many markets as possible. The problem of procuring markets for a particular business may become to a degree, therefore, the problem of the railroads on whose lines it is located.

Transportation facilities provide for more than the creation of place utilities. They provide an important service in storing. For a transportation service must in reality serve the double purpose of moving and storing goods.[4] The fact that the goods are in the possession of transportation facilities for some time has an important bearing upon finance and risk. Funds must be invested in goods while they are en route and the volume of stocks held in storage is in part dependent upon the speed and the dependability of the transportation service. The bill of lading has been made an important type of collateral security,[5] and has thereby become an important adjunct to financing goods in transit.[6] The extent to which the carrier acts as bailee for the property entrusted to it, and the resulting degree to which it becomes responsible for the safe and prompt delivery of the goods entrusted to it, raises important questions which concern the distribution of risk.[7]

Factors Determining Efficiency.—The efficiency of transportation is measured by two factors, the service performed and the cost of performing the service. The adequacy of the

[4] The less of such storage there is at either end of a journey the more fully the transportation system can be utilized. And it is with this in view that demurrage charges and track storage charges have been introduced. See pp. 310–312.

[5] See the Bill of Lading Act (Pomerene Act), of 1916; also the *Annual Report* of the Interstate Commerce Commission (1919), p. 32, and U. S. v. Ferger, 250 U. S., 199.

[6] See pp. 340–341, 345–346.

[7] See Chap. XVII.

service rests upon such basic considerations as (1) the supply of facilities to carry the products offered,[8] (2) the speed and care with which goods are carried from point to point, and (3) the speed and care with which products are handled at terminals. These three fundamentals are, of course, interrelated. Thus, in the case of railroads, if the speed of trains is increased, a given number of cars, and hence the total car supply can carry a greater tonnage in a given time. Again, a large part of the life of the average freight car and freight vessel is spent at the terminals where they are loaded and unloaded, and it has been estimated that two-thirds of railroad expense is paid for terminal service.[9] Congestion in a single yard may tie up a whole railway system; and congestion at a single terminal city or port may tie up the transportation system of a large area.[10] Consequently, if facilities for loading and unloading at terminals are improved, the time that cars are en route instead of serving as warehouses at terminals, is increased. To increase the speed of movement or to reduce the time spent in terminals shortens the time of transportation and increases the available car supply. The power of locomotives, the size of cars, and the number of each are, of course, fundamental.

The Relation of Transportation to Market Areas.—The extent of the market for any commodity and the territory which sends its produce to and which is supplied from any distribution point are limited by the adequacy of the transportation facilities and the cost of their utilization. Without adequate transportation large scale production and localized industry are commercially impossible. These developments have come only with the widening of the market area within

[8] This becomes particularly important in such times as the rush season for carrying grain during the fall of the year.

[9] E. J. Clapp, "Railroads and Terminal Waste," *The New Republic*, Feb. 1, 1922, p. 268.

[10] The congested condition at the New York terminals during the winter of 1917–18 was given as one main reason for the "heatless Monday" order of the Fuel Administration.

which products can be profitably distributed. During the past century, facilities for transport have been so improved and the costs of transportation have been so reduced that there is a "world market" for hundreds of products. This development has continued during the past few years. The speed of transport has been increased on the public highway through the improvement of the roadway and the utilization of the motor truck, loading and unloading devices have also been improved. The speed of railway trains has been increased, the capacity of individual cars has become greater, and the pulling power of engines has been increased. A similar development has occurred in waterway transportation. But here the facilities at terminals vary greatly as between different ports. In some cases human labor is utilized almost entirely; in others it is almost entirely dispensed with. Warehouse facilities, likewise, vary. The extent of this variation depends in part on the nature of the product which is being handled, and in part on the cost of labor and the importance of the port.

Carload Rates.—Since it costs less to handle, load, and unload car loads than it costs for similar services for equal amounts shipped in less than carload lots, the rates charged for shipment in carload lots are commonly lower than the rates for similar products shipped in smaller quantities.[11] In addition to this, deliveries of carload freight are usually made more quickly than those of less-than-carload freight. These facts make it advantageous to ship in large lots and give a decided advantage to those who can do so.[12] The difference

[11] Governing decisions of the Interstate Commerce Commission are: Thurber v. N. Y. C. & H. R., 3 I. C. C. 473; Harvard Co. v. Pennsylvania Co., 4 I. C. C. 212, 213.

[12] The wholesale grocers have complained that the large meat packers gain an advantage of this kind because they are allowed to ship grocery products in meat cars, which receive preferred treatment by the railroads because they carry perishable meat, whereas the wholesale grocers have to ship by ordinary freight. They further complained that the packers shipped groceries in their "route cars," which are carried from

between less-than-carload and carload rates is particularly important when transportation charges make up a large part of the final cost of the product. This is usual with bulky articles of relatively low value, such as grains, live stock, ores, and crude steel products. The expense of shipping in very small lots is usually relatively great.[13] The minimum freight rate, for example, is based on one hundred pound units. It is these conditions which make necessary the concentration of farm products at country shipping points, and which usually make it cheaper for a retailer to buy from a jobber or the near-by branch of a manufacturer, than to buy direct from a distant producer, and for the final consumer to buy from the retailer rather than of the producer.

Carload Rates and Jobbing.—It was pointed out earlier in the chapter that the development of railroads has tended to continue old market cities. But it has done more than to continue the old distributing centers, for it has also led to the development of new ones. The differences that exist between carload and less-than-carload rates make it desirable to transport goods in carload lots as near to the final purchaser as is possible. There have developed, consequently, numerous small distributing points to which goods are brought in carload lots, to be used at the point of receipt and to be dispersed in less-than-carload lots throughout the tributary territory. Just as soon as a city and its vicinity can use goods in carload lots it is on the way to become a jobbing center.[14]

town to town to make deliveries of meat, and from which groceries were also delivered. By the "consent decree" of 1920 the packers agreed not to handle certain large classes of grocery products.

[13] Smaller packages, and articles demanding very rapid transportation are usually carried by express or parcel post. The rates for this service are relatively high. But in addition to the more rapid and certain service, delivery service is also provided. See E. R. Johnson and T. W. Van Metre, *Principles of Railroad Transportation* (1916), Chaps. XIII and XIV.

[14] See, for example, the discussion of Amarillo and Sweetwater, Texas, in the Texas Common Point Case, 26 I. C. C. 528.

This tendency becomes greater when prices are much affected by transportation costs, or when speed in delivery is desirable. With most staple commodities both of these are important; and the latter is a particularly important consideration in the marketing of perishables.

Groceries are consumed in such large amounts and the cost and speed of transport are so important that there are hundreds of jobbing centers for groceries in the United States. The same conditions exist in a smaller degree in the distribution of drugs, farm machinery, dry goods, and hardware.[15] In the sale of jewelry, women's expensive clothing, and musical instruments they are less important and there is a much smaller number of jobbing points. It was shown in Chapter VIII that the growing emphasis on a rapid retail turnover has strengthened the local jobber as against large jobbing houses located in the larger commercial centers. This is due to a considerable extent to the fact that he can make a greater use of carload shipments than can the larger houses, and he makes a minimum use of less-than-carload shipments. This practice reduces costs of transportation and enables him to make more rapid deliveries, because carload shipments are delivered more quickly than less-than-carload. And since local jobbers are near to their customers they can deliver by truck or at least their small shipments can be made more quickly than could similar shipments from distant manufacturers and

[15] C. C. Parlin found something over 1200 jobbing centers in the grocery trade in 1915 (*An Address delivered before the district sales managers of the Joseph Campbell Co.*, p. 7, published by the Curtis Publishing Company, 1916); the five large meat packers alone had 1120 branch houses in operation in 1917 (*Report of the Federal Trade Commission on the Meat-Packing Industry, Summary and Part I*, p. 153); there were twenty distributing centers for farm machinery in 1918, each of which had five or more jobbing houses or manufacturer's branches, and there were 27 farm implement manufacturers who had in the United States, alone, in 1918, 282 branch houses, and sold through 140 jobbers. And, in addition to these, they used 444 stock transfer houses. (*Report of the Federal Trade Commission on the Causes of High Prices of Farm Implements* [1920], pp. 52–54.)

jobbers. When freight rates are increased their position is made yet stronger, for their transportation advantages are thereby increased. To offset these disadvantages the large distributors have established branch houses,[16] and railroads leading from the larger market centers have introduced package cars to increase the speed of freight. The general extension of the mixed carload privilege has served to cut costs of transportation.[17] Large jobbers endeavor to have the differential between carload and less-than-carload shipments cut down so that they can compete more successfully in a wider territory.[18]

Some Special Features of Transportation Service.—There are many special features of freight service which have particular effects on the market structure. The transportation service of the express companies and the Government's parcel post are built around the railway system of the country. The express service is used particularly in carrying merchandise which is of slight weight and high value—valuable merchandise, printed matter, or money, jewelry, precious metals, and valuable documents, which the railroads will not take. Express is shipped on passenger trains and on special express trains. It serves particularly in the transportation of commodities which require more rapid transportation and delivery than is given by the regular freight service. In addition to more rapid transportation the service includes the collection of merchandise from the shipper and its delivery to the consignee. The cost of this service to the shipper is in the neighborhood of four times the ordinary freight rates for the same

[16] In discussing the reason for their establishing branch houses Mr. E. C. Simmons of the Simmons Hardware Company, of St. Louis, said in 1906: "It is a well recognized fact that in many cases promptness is a more important and determining factor in getting business than even price, but put the two together and they are irresistible."—"A Half Century of Hardware," *Iron Age,* Vol. 77 (Jan. 4, 1906), pp. 145–148.

[17] Business Men's League of St. Louis case, in 9 I. C. C. 318.

[18] Consolidated Classification Case, 54 I. C. C. 1, 16–19.

shipments, and so only goods of relatively high value can be shipped by express.

Since 1912 the Post Office Department has been developing a parcel post service which duplicates much of the service performed by the express companies. But it is not so complete nor so satisfactory for many shippers as is the express service. Goods are only delivered, they are not collected from the shipper. Losses are not met so fully by the government, and rates for distant traffic are higher. But for short traffic the parcel post rates are cheaper, although the collection service which express companies render at many points may offset this advantage. The great development of rural deliveries of mail is also a decided advantage in shipping to country districts, for the express service maintains no rural delivery. Uninsured packages may be shipped very cheaply by parcel post and the losses insured in outside companies, or the shipper may be willing to assume any losses, or the package may be insured through the post office.[19]

Refrigerator cars and cold storage warehouses make it possible to bring the perishable products of distant lands, fruits, vegetables, meats, and fish, to our table, and enable us in turn to send perishables to distant markets.[20] California, Florida, Washington, Michigan, and Central American fruit, dressed meats, and early southern vegetables could not reach what

[19] For a more complete description and comparison of these services see Johnson and Van Metre, *op. cit.*, Chaps. XIII and XIV.

[20] It is assumed that the reader is familiar with these factors. For fuller discussions see L. D. H. Weld, *Private Freight Cars and American Railways,* Columbia University, Studies in History, Economics, and Public Law, Vol. XXXI, 1908; *Report of the Federal Trade Commission on Private Car Lines* (1919), and on the *Wholesale Marketing of Food* (1920); E. G. Nourse, *The Chicago Produce Market* (1917); also the more general discussions in Johnson and Van Metre, *Principles of Railroad Transportation* (1916); and L. G. McPherson, *Railroad Freight Rates in Relation to the Industry and Commerce of the United States* (1909). See also various bulletins of the U. S. Department of Agriculture.

are now their normal markets but for refrigeration. A further use for refrigerator cars is found in winter when goods are carried which would freeze in ordinary box cars. Heater cars have also been developed, and special equipment has been introduced for carrying other products, such as live stock and petroleum. Special stock trains are run from growing sections to central markets. There are also fast freight lines for perishable foods, the purpose of which is to have the refrigerator cars used on a railroad's lines joined in special trains to run at top speed to central markets.[21]

These special facilities, which were developed much later than the railways, were first introduced by interested shippers. This was the case because special cars, especially the refrigerator cars, were expensive and required inspection and attention from point to point—expenses and services which the railways were not willing to provide. Furthermore, refrigerator cars are used during only a part of the year and must go from line to line to be utilized profitably. The fear that they would not prove profitable because of this limited seasonal use, and the inability of individual railroads to control their cars when on other lines, as well as a frequent disinclination to allow cars to leave their lines, have all proved to be important causes for outside ownership. The railroads now own many of these private cars, and so to-day private car lines are relatively unimportant save in a few industries.[22]

[21] See In the Matter of Private Cars, 50 I. C. C. 652. In addition to special cars and boats, pipe lines have been developed for the transportation of petroleum, and there are elevators, belt conveyors, motor trucks, and other special means of transport.

[22] Private cars compose now about 6 per cent of the total owned by the railroads. The ownership of this specialized equipment by large shippers was formerly a source of much complaint by competing shippers. The railways paid a rental for the cars which was claimed to be so large as to amount to a rebate, and competing shippers did not get good service. These cars are now under the control of the Interstate Commerce Commission, and the problems suggested are largely solved. See, however, the recent complaint of the wholesale grocers made before the Commission of the uses made of route cars by the meat packers in

Diversion in Transit.—The diversion of cars in transit is a privilege of great importance to shippers. This enables a shipper to send his car in the general direction in which he wishes it to go, without his deciding upon a specific market at once. When the car reaches a diversion point established by the railroad, it may be sent to the specific market which the shipper then believes gives the greatest promise. This service is particularly important in the case of perishables and of products long on the way to market. In either case the demand in different markets may change while the goods are en route, and to reach the best market they must be diverted from their original course. In the case of perishables this is peculiarly important, because they cannot be stored to await a more favorable price. They must be sold at once or shipped without delay to another market where better prices can be obtained. Market news is usually so incomplete that it is often impossible to tell at the time of shipment whether a particular city will offer a good market by the time a carload has reached it. Furthermore, products sometimes deteriorate more rapidly than is anticipated and so the more distant markets cannot be reached in time. But when the product has reached a diversion point the shipper or his representative can determine its condition and so he is better able to judge what city offers the best market.[23] The diversion privilege allows the product to be sent on from point of origin to the final market at the through rate plus a small diversion fee.[24]

Somewhat similar services are the privileges of milling and storage in transit which are accorded wheat shippers, and the

carrying products which compete directly with the wholesale grocers. The grocers' side of the case is presented in *The Case Against the Packers as seen by the Wholesale Grocers of the South* (1919), prepared by Lewis H. Haney for the Southern Wholesale Grocers' Association, Jacksonville, Fla.

[23] The diversion of "tramp" ocean steamers is likewise a common practice.

[24] See the Reconsignment Case, 47 I. C. C. 590; 53 I. C. C. 455.

provisions for compressing cotton while en route to the market, and for the storing and grading of wool on the way to the East from western growing regions. In the first case, wheat may be sent to the milling point, stopped for milling, and then shipped on to the market, all at the through freight rate, plus a transit charge. This saves paying the relatively higher local freight rates to the point of milling and from the point of milling to the market. Shippers are also allowed in some instances to ship grain and live stock to a terminal market and then to send it on in the same general direction at a rate less than the regular local rate from the terminal to the final market place. This tends to equalize the position of millers and meat packers located at different points.[25] Similar to this is the privilege of compressing cotton bales in transit. This service is necessary in order that the large bales shipped by the grower may be reduced to a more suitable size. Usually the local shipper pays the full local rate to the compression point, but on proof of reshipment he is allowed a refund of the difference between the local rate and the lower through rate.[26]

Cities which are able to procure privileges such as those which have been mentioned for products passing through their section of the country, are enabled thereby to divert a large proportion of the traffic which might perhaps pass through other points.[27] This tends to the development at such points

[25] See J. Chester Bowen, *Wheat and Flour Prices from Farmer to Consumer,* U. S. Bureau of Labor Statistics, Bul. 130 (1913), pp. 26–27, and the following Interstate Commerce Commission Cases: Substitution of Tonnage, 24 I. C. C. 340; Transit Case, 25 I. C. C. 130, 26 I. C. C. 204; and compare Fabrication in Transit, 29 I. C. C. 76.

[26] See Louisiana Cotton, 46 I. C. C. 451; Business Men of Helena v. St. L., I. M. & S. Ry. Co., 48 I. C. C. 490.

[27] St. Louis has recently been made such a diversion point for lumber. Lumber from the South is shipped to St. Louis, sold by the selling agents there and shipped on at the through rate from point of origin to the final market, plus a nominal shipping charge of two and one-half cents per 100 pounds. Before this privilege was granted the local rates

of markets, jobbing centers, storage facilities, a milling industry, or of whatever a particular rate privilege tends to foster.[28]

Transportation Costs.—Since the transportation charge is a distinct part of the final cost of an article delivered to the consumer, it is evident that the cost of transportation limits the extent of a market available to a given producer, manufacturer, or distributor. Other things being equal, the seller who has the lowest transportation costs on the materials, equipment, and supplies which he uses and on the shipment of his product to market can sell at the lowest price, makes the greatest net profit, and, if his supply is great enough, may even control the market. Most of the products now consumed would, furthermore, not be available to the majority of the population of the world if it were not for the low costs of transportation which now prevail. Improved methods have brought lowered costs as well as superior service.

Even to-day the cost of carriage is an important element. California oranges could not compete in eastern markets with those of Florida were it not for the relatively low freight rates charged on their shipments; neither could Washington apples compete in eastern markets with those of Michigan nor the latter with those of New York.[29] Factories are usually placed with a view to the cost of transportation, both for bring-

to and from St. Louis had to be paid. It is estimated that this will save $300,000 a year to St. Louis lumber interests. See the statement of W. P. Coyle, traffic commissioner of the St. Louis Chamber of Commerce, quoted in the *Chicago Journal of Commerce*, July 20, 1921.

[28] An idea of the great number and variety of these special privileges can be obtained by glancing over the index to the volumes containing the decisions of the Interstate Commerce Commission. A wealth of marketing information is contained in the discussions of the cases which come before the Commission.

[29] With the increase in freight rates since the World War and the fall in the price of farm products, the transportation rate has become peculiarly burdensome to the farmer. This is on account of the fact that the price he receives is the price at the central market less the shipper's margin and the cost of transportation from the local market.

ing raw materials and other supplies to the factory and for carrying the finished product to its market. Some cities have outdistanced rivals, with otherwise equal natural advantages as manufacturing and distributing centers, because of the lower freight rates they have enjoyed to consuming and raw material markets. Great productive areas of the globe are as yet unopened to world commerce, not merely because their transportation services are meagre, but because the cost of those services is prohibitive.[30]

The railway rate on particular articles often has little effect on the retail price of goods.[31] A difference of several cents a hundred pounds in the rate often means far less than one cent on individual items sold to the consumer.[32] On the other hand, such differences are very important in the wholesale trade, and in the trade in bulky articles. They may be sufficient to cause a factory to procure raw materials from one

Thus if the wholesale price which affects his local market is one dollar and the freight rate five cents, the grower's price is ninety-five cents less the shipper's spread. If the freight rate becomes ten cents, the grower's price becomes but ninety cents, less the shipper's spread. See pp. 440–443.

[30] Many of the peculiarities of American rate structure have arisen from the desire of railways to obtain and keep trade for the particular territories they serve. Note the early rate struggle between the roads serving Boston, New York, Philadelphia, and Baltimore. See W. Z. Ripley, *Railroads: Rates and Regulation* (1912), pp. 21–23, and Chaps. IV-VIII, X-XI; Logan G. McPherson, *op. cit.*, Chap. VII; E. R. Johnson and G. G. Huebner, *Railroad Traffic and Rates*, Chaps. XVII, XIX.

[31] The freight rate on most consumption goods is so low in relation to their value that a large increase in rates will have little effect on prices. But this is not true of production goods. Thus of the price of coal in Chicago in 1914 the railway freight charge was nearly two-fifths of the retail price of anthracite, nearly one-half for smokeless mine run, and nearly one-quarter for Southern Illinois bituminous. With the higher rates and higher prices prevailing in 1921 these amounts were: for anthracite, approximately the same, for smokeless mine run, two-fifths, and for Southern Illinois bituminous, approximately the same as before.

[32] F. Andrews, "Methods and Costs of Marketing," U. S. Department of Agriculture, *Yearbook*, 1909, pp. 161–162.

territory, rather than from another, or a retailer to buy of the jobbers of a city from which goods can be shipped at a lower cost. Slight changes in rates have frequently caused grave dislocations of commercial relations established under a former rate.

Certain kinds of transportation are cheaper than others. Rates are usually lower on waterways than on railways. For some products the transportation rate from San Francisco to New York is greater than from Hong Kong to New York.[33] The low rates charged on waterways with which railways compete sometimes force the railroads to adopt rates between points connected by waterways which are much lower than the rates for the same service between points not so favored.[34]

Local Trucking.— Railroad and steamship lines are not the only factors in the determination of transportation costs. Of particular importance is trucking. At each end of a shipment over railway or

[33] For a discussion of this and many other cases in American railway history, see L. G. McPherson, *op. cit.*

[34] Since ocean freight rates are subject to constant change, facts of this kind change likewise—although the general relationship is not likely to be materially altered.

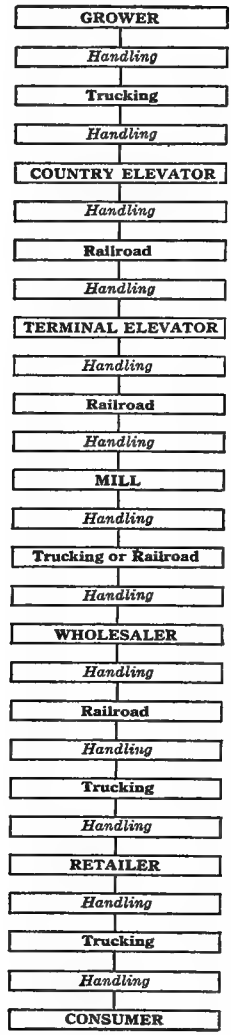


DIAGRAM VI.—The Physical Handling of Wheat, from Grower to Consumer.

waterway there is usually an element of local trucking or carrying that may be as costly as the through carriage or even more costly than it is. The farmer draws his grain to the country elevator whence it goes over the railroad to the milling center where it may be unloaded directly at the mill warehouse or may have to be transported again by truck. It is loaded, as flour, from the mill to ship or car, and then at the end of its journey is transferred by truck or wagon to the jobber's warehouse, from which it must be carried to the retail store, and from there to the home of the final consumer. It was estimated in 1912 that the cost of carrying grains from farm to car was as great as the cost of railway transportation.[35] If this is true it is evident that the total of all trucking and carrying costs, other than railroad, is very much in excess of the costs of the railroad service. In 1917 household goods could be carried from New York to Wilmington, Delaware, by motor truck for less than by railway freight, and the cost of hauling the goods to and from the railroad and the cost of packing them for freight shipment were avoided when the goods were shipped by motor truck. The importance of the physical handling of products, including trucking, is shown in Diagram VI and Table VII.

In view of the enormous amount of hauling on the common roads and streets it is obvious that anything that eliminates the necessity for it, or reduces the time and expense it involves, will have a very important effect upon the cost of transportation, and hence upon the cost of marketing. Some of the means for bringing this about are the location of factories on railroad or waterway, the location of central produce markets near terminals, the reduction of deliveries to consumers, and the improvement of highway transportation.[36]

[35] See L. D. H. Weld, *The Marketing of Farm Products* (1915), Chaps. IX–XI.

[36] Chicago has an underground railroad with 60 miles of tracks which connect the freight depots with some of the large warehouses of the "Loop" district.

TABLE VII. CARTAGE COSTS IN WASHINGTON, D. C.*

Business	*Percentage of Delivery Costs to Gross Sales*
Ice	45.6
Soft drinks	20.2
Brick	19.9
Bakeries	19.8
Laundries	15.3
Coal and wood	15.2
Ice cream	14.9
Dairy products	12.1
Breweries	9.2
Lumber	6.8
Groceries and meat	4.4
Hardware	3.0
Furniture and carpets	2.8
Department stores, hatters, furriers, and shoes	1.5
Wholesale meats	1.1

* E. F. Hartley, *Study of Cartage Costs in the City of Washington* (1917), pub. by the U. S. Census Bureau. See also Chicago Tribune, *Motor Trucks in the Chicago Territory* (1918), p. 26.

The World War stimulated and improved trucking in the United States. Motor trucks now transport appreciable quantities of goods from city to city. They also increase the area from which goods can be conveniently hauled to and from a railway or waterway, as well as the natural hauling area surrounding a particular market. A much larger producing and consuming area can, consequently, be brought into touch with the main arteries of traffic. Increased speed in delivery likewise results. In the opening of larger farm areas alone it is evident that, through increasing the cultivable areas that can be profitably utilized, this may bring a large increase of products available to the market. Improved highway transportation is also causing the disappearance of the country crossroads store.

II. HANDLING PRODUCTS AT TERMINALS

Another important feature of physical distribution is the handling of products at shipping and terminal points.

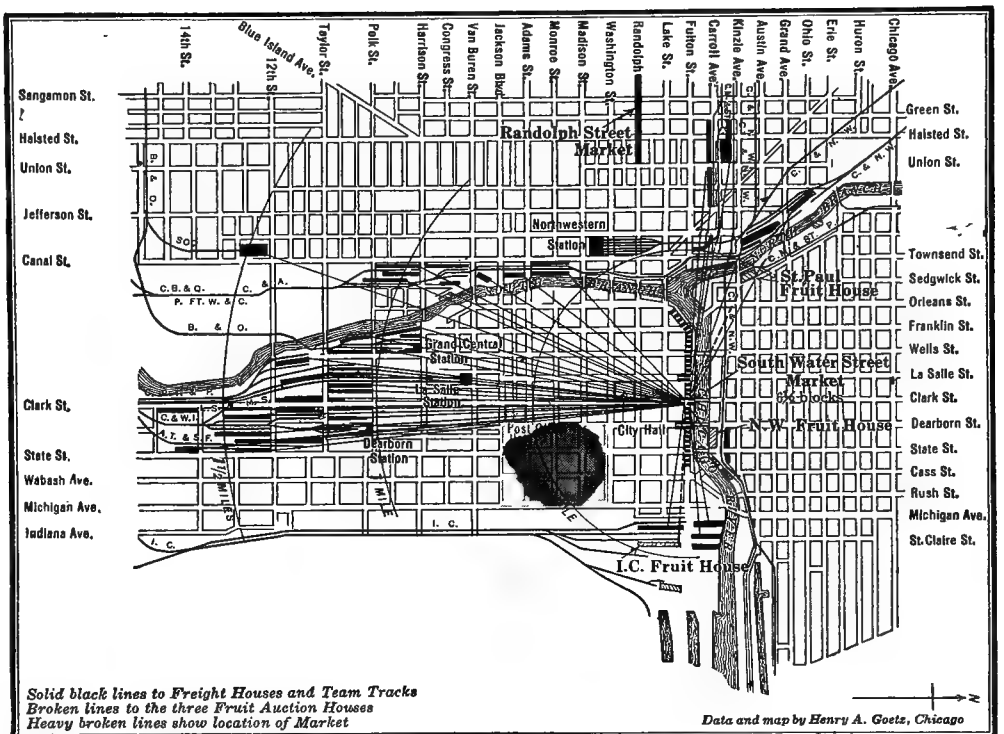
Among the marvels of our machine age are the facilities that have been developed for loading and unloading commodities at transportation points. Derricks, cranes, gravity chutes, cars with movable bottoms, traveling belts with buckets attached, steam shovels, and similar appliances have all contributed to increasing the speed with which goods can be loaded and unloaded. But despite these improvements the chief cause of congested conditions in transportation is usually found at shipping and terminal points.

A large amount of time is spent in loading and unloading cars, vessels, and trucks. It involves great expense for labor, and results in the deterioration of many products. Railroad yards in particular are liable to congestion.[37] The switching of cars from train to train, from train to warehouse, track, or unloading platform, and the reverse process of making up trains, is a slow and expensive process, adding greatly to the time goods must be en route and reducing the effectiveness of cars for purely transportation purposes.[38]

Aside from the mere physical difficulties involved in unloading, the traveling life of a car and the use which can be made of railway tracks are further reduced because, in many instances, those receiving goods in carloads store them in the car until they can be sold or conveniently unloaded. To offset this tendency railroads have instituted what are known as demurrage charges. These are per diem charges levied after the "free time," ordinarily forty-eight hours, for loading or unloading has expired. In the case of some commodities with

[37] Discussion of the relation of terminal cost to total transportation expense, for less-than-carload freight is contained in the C. F. A. Class Scale Case, 45 I. C. C. 254, in the Southwestern Class, 48 I. C. C. 379, 387, and in the New England Case, 49 I. C. C. 421, 455.

[38] An interesting discussion of terminal problems at transshipment points, between rail and water transportation, will be found in an article by C. O. Ruggles, "Railway Service and Regulation in Port Terminals," *The American Economic Review,* Vol. XI, No. 3 (Sept., 1921), pp. 438–446. See also E. J. Clapp, "An American Transportation System," *The New Republic,* Feb. 1, 1922, pp. 267–270.



MAP II. South Water Street Market, Chicago.[1]

[1] Taken with permission from the *Report of the Federal Trade Commission on the Wholesale Marketing of Food.*

which this difficulty is greatest, and where track and yard space are limited, what is known as track storage is levied in addition to the usual demurrage charges. Both of these charges vary from time to time, and from state to state. A common demurrage charge has been one dollar a day. In some states demurrage charges have been set by statute, and in a few "reciprocal demurrage" charges are assessed the railroads for failure to supply equipment within a stipulated time.

Congestion in Terminal Markets.—Although the purely mechanical devices used in transportation have been rapidly improved, the adequacy of transport systems is unduly hampered by the unfortunate congestion in the districts which surround many terminals and in the terminals themselves. An extreme example of this is found in the wholesale produce markets of most large cities. These are almost universally poorly situated with regard to the railway terminals from which they secure incoming products. They are, moreover, frequently badly located as regards the retail stores and factories to which the goods are to be delivered.[39] This usually necessitates an excessive amount of trucking from scattered railway terminals through crowded business streets to the wholesale market, and then further trucking from the wholesale district to outlying factories and retail stores, and even back to the terminals for reshipment. The cost of this lies not only in the trucking expenses but in the deterioration of products

[39] "There are approximately 25 freight terminals in the city [Chicago]. A considerable number of these are grouped together a mile or so from the produce district. The terminals, however, are distinct from each other, and a dealer receiving shipments over a number of different railroads must send for them to as many different terminals. For about five months of the year fruits and vegetables are received by water from Michigan and Wisconsin and must be hauled by teams from the docks to the markets."—*Report of the Federal Trade Commission on the Wholesale Marketing of Food,* p. 64. The same general conditions prevail in many other large cities, and are described in this report.

which results from their being jostled about in this way for considerable periods of time.

The causes of this congestion are partly fundamental. The concentration of wholesaling makes purchase and sale easy, but the concentration of the goods which accompanies it leads to physical congestion. The planlessness of our cities is a further cause. Many produce markets were originally established so as to be convenient to water transportation. At the present time, however, relatively little produce comes in by water, and the railway terminals are at a distance from the market places. But the markets continue at the original points.[40] American cities, furthermore, have grown so rapidly that few have been able to foresee the future, and consequently no adequate provision has been made to care for the proper relationship of transportation facilities to wholesale markets, industrial centers, and retail districts.

III. Storage

The second function of physical supply is storage. The farmer and other prime producers store the products which they harvest, or extract from nature, until they are started on the way toward mill, refinery, factory, and final consumer. Farm products and raw materials are stored at local shipping points until enough are accumulated, or until the prevailing price is sufficiently attractive to warrant shipment. They are stored at central, secondary, and retail markets until further sale and shipment take place, and they are stored at mills and factories before and during processing. Manufactured products, in turn, are stored at the factory until they are sold and shipped to market. And between the factory and the con-

[40] For a detailed discussion of these problems see E. G. Nourse, *The Chicago Produce Market,* and the *Report of the Federal Trade Commission on the Wholesale Marketing of Food.*

sumer they are stored in the warehouses of the manufacturer's branch, the public warehouseman, the wholesaler, and the retailer.

Causes for Storage.—Storage is necessary to the extent that the production and use of goods and their supply and demand in the market are not equalized. Its function is to hold goods from the time they are produced until the time they are used, in order to bring about an adjustment between production and use. It has likewise an auxiliary use in assisting the transfer of commodities from place to place. For goods are in storage while they are being shipped, and because of the economies in large scale transportation, and because shipments are sometimes delayed, storage is essential to the adjustment of supply between places of surplus production and surplus consumption. The important conditions which make storage necessary to marketing are, then, the conditions which make necessary an adjustment between times and places of surplus production and times and places of surplus consumption. They are as follows:

1. Goods produced during a short season of the year must be held over if they are to be consumed in other seasons.
2. Goods which are consumed in large volume during short seasons are often produced more economically if the season of production can be lengthened. The resulting surplus must be held over.
3. The sale of abnormally large stocks at one time often depresses the market price. If the goods can be stored the price can be steadied, and losses to holders thereby avoided or reduced through the realization of a higher price in a later market.
4. A surplus in one market can sometimes be stored until transportation facilities can be secured to take it to a more promising market.
5. Factories and dealers must store surplus supplies and

merchandise. There are several causes for this: to take advantage of quantity prices in purchasing and of quantity rates for transportation, to guard against delayed shipments, to have enough goods on hand to meet variations in demand from day to day and from week to week.

Two Kinds of Storage.—The conditions which make it necessary to hold goods are of two general types; and, consequently, there are two kinds of storage service. First should be placed the class of storage which holds goods over a short period of time, determined by temporary market conditions and by the short time problems of relating supply to demand. If there is a temporary glut in the market for perishable goods, they may be held over for a few days awaiting a higher price. Merchants buy goods in large quantities, and these must be held until they are sold and delivered. The manufacturer stores raw materials until they are processed and finished goods until they are shipped to market. Goods are in storage while in transit and commonly for some time before and following shipment.

The second class of storage service is that which makes it possible to adjust supply and demand for products which are produced or consumed seasonally. Eggs, butter, wheat, cotton, and wool are stored from periods of abundance to periods of scarcity. Iron ore from the Lake Superior district is accumulated near the steel mills in large quantities during the summer. None can be shipped on the lakes after the close of transportation in the fall. Coal likewise is shipped on the lakes to the Lake Superior ports to be stored for winter use. And when a manufacturer produces for stock throughout the year goods which have a short selling season, this kind of storage service is needed.

Nature of Storage Service.—Five important considerations are involved in the storage of goods:

1. They must be properly cared for.
2. They must be stored at convenient points.
3. Stocks must be financed while in storage.
4. Storage must be so controlled as to protect the interests of all parties involved.
5. Storage has an important effect on prices.

Care of Merchandise.—The proper care of goods in storage is necessary if the purposes of the service are to be realized in full degree. They must not only be kept in merchantable condition—if possible in as good condition as they were when they were put in storage—but it is often possible to improve their quality or condition in ways which make them more desirable for consumption and more available for sale. Lumber is seasoned, smoked meat and tobacco are cured, and economies may be effected by harvesting a green crop of fruit and allowing it to ripen in storage. This service involves the inspection, preservation, conditioning, and grading of products. Proper provision for the safety of the merchandise calls for protection from theft, fire, wind, water, heat, cold, vermin, animals, and from natural deterioration. Goods must be inspected on arrival and on delivery, as well as from time to time during storage, to determine their physical condition. Perishable goods in particular must be given attention. This usually involves the installation of special equipment to provide "cold" and heat, in order to maintain proper temperatures for fruits, vegetables, eggs, butter, meat, and it involves the provision of special machinery for cleaning and conditioning grain—to keep it from heating in the bin or spoiling from collecting too much moisture. Finally, goods are frequently assorted and graded while in storage so as to meet more nearly the demands of the market.[41]

[41] An interesting development in warehousing is the Bush Terminal in New York City which provides many facilities not generally provided by warehousemen, see *The Bush Magazine,* Aug. 15, 1917, and other issues. Descriptive material can also be secured from the Bush Terminal Company.

Place of Storage.—Several considerations bear on the determination of the most convenient place at which goods shall be stored. They arise out of the need to make the storage facilities serve with equal advantage the interests and requirements of the producer, middleman, manufacturer, and final consumer. Furthermore, the facilities must be located at points which will expedite the transportation of goods, and make them most available as security for the loans with which their storage and distribution is financed. Goods which have left the place of production and which are en route to the places of consumption tend, consequently, to be stored near to transportation facilities, near to the markets in which they are bought and sold, and near to the financial agencies which provide the funds invested in them. This causes surplus supplies to be stored close to the large commercial centers where the means of transport, exchange, and finance are concentrated. With improvements in the speed of transportation and reductions in its costs this tendency may be accentuated. Supplies for consumption and manufacture can be quickly secured from central markets and so the need for storing in large quantities close to the consumer has been minimized.[42] A further cause for the concentration of warehousing in central markets is the fact that the inspection and supervision of warehouses is important to their proper functioning in the care of products which are to be used as the basis for loans, and which are to be sold on the basis of samples. This is more effectively done on a large scale near to the agencies most directly involved. The economies in transportation and distribution in large amounts make it desirable to locate warehouse facilities where merchants who buy in large amounts concentrate. There is, therefore, a further need for storage facilities at those jobbing markets at which wholesalers, manufacturers' branch houses, and transfer points are located.[43]

[42] This makes possible a more rapid stock-turn. See pp. 201–205.

[43] "In order to save freight by car lot shipments and to have imple-

Finance and Storage.—It is as a consequence of the long time through which many products must be stored and the great volume in which this is done that some of the greatest problems of market finance arise. For during the whole time that goods are in storage funds are invested in them. These may be the funds of the producer, middleman, financial agency, manufacturer, or consumer. But whoever furnishes the capital must bear the risk of losing his investment through the loss of the goods by deterioration or theft, or from the consequences of a falling market. Because of the importance of this aspect of storage great attention is commonly paid to the relation between warehousing and finance. The goods stored are often the security for loans made by banks or the credit allowed by supply houses. To expedite financing, the warehouse receipt has been developed to a high degree by associative activity and by law, until it now exercises in many trades the same function in financing as is exercised by the bill of lading. In fact, it often happens that in the progress of goods to a market, both bills of lading and warehouse receipts serve alternately as collateral security for the loans which finance the exchange from the time the goods leave the producer until they are finally absorbed in manufacture or in retail trade.[44]

The risk of financial loss to those who have purchased goods and to those who have loaned the money with which these purchases were made, makes it imperative that every safeguard be provided to insure against loss while the goods are in storage. The important conditions essential to proper ware-

ments and repairs readily available to retailers or farmers, some manufacturers have transfer points which are no more than distributing stations located at various centers where no branch house is maintained."—*Report of the Federal Trade Commission on the Causes of High Prices of Farm Implements* (1920), p. 58.

[44] See Chap. XVI; also R. L. Nixon, *Cotton Warehouses,* U. S. Department of Agriculture, Office of Markets and Rural Organization, Bulletin 216 (1916), pp. 2–5, and Wm. B. Thompson, "The Warehousing of Cotton," *The Manufacturers' Record, Supplement,* Oct. 23, 1919, p. 63c.

housing, from the financial side, are best discussed from the point of view of the banker, or loaner of funds. These are usually of equal importance to the owner of the goods, but since he may have them stored in his own warehouse the points are not all of equal importance to him.[45] (1) The goods must be stored under proper conditions in warehouses controlled by firms which are reliable and responsible for the proper performance of the storage functions. Since the return for the money invested in them is contingent on the merchantable condition of the goods, care for their proper storage is of the greatest importance. This involves proper facilities for the physical care of the goods, and provision for insurance against fire and theft. (2) Although salable goods are, in the last analysis, the security for the funds invested, they are of little value as security unless the title to them is clearly in the hands of the interested party. This is usually given by a warehouse receipt representing the goods stored. And the safety of the invested funds is not properly safeguarded unless this receipt gives a clear title to the goods to the holder of the receipt. It was in large part to make this title secure that the United States Warehouse Act was passed in 1916,[46] and it is with this in view that uniform state laws are urged so that banks can be certain of the status of the security for the loans they make.[47] (3) It is necessary that the value of the goods on which loans are made shall be accurately determined. As a result the quality and grade of the goods involved must be known in order that their exact

[45] See *Manufacturers' Record, Supplement,* Oct. 23, 1919, pp. 65 ff.

[46] See U. S. Department of Agriculture, Bureau of Markets, Service and Regulatory Announcements, No. 61 (June 2, 1920), *Information Concerning the United States Warehouse Act.* This is equally important in transportation, and is responsible for the passage of the Uniform Bill of Lading Act, see C. S. Duncan, "The Uniform Bill of Lading," *Journal of Political Economy,* Vol. XXV (1917), pp. 679–703.

[47] Mechanics' lien laws, for example, sometimes give prior claim to the laborers who produce goods, and may prevent banks from obtaining title to the goods.

market value can be ascertained. If in addition to this, the goods have been sold for future delivery, or their future value has been assured through hedging, their value as security for a loan is thereby enhanced. Here again the necessity for proper storage is important, so that the quality of the goods may be maintained until the loan is paid off.

Control of Storage Facilities.—Storage is carried on both as an adjunct to private business and as a public service business. Factories, wholesale middlemen, and retailers usually have their own storage plants in which to warehouse the materials they use or sell. But agricultural products on reaching the market, whether they be used for consumption or as raw materials for manufacture, are often stored in public warehouses.[48] In central markets, especially, many warehouses are owned and operated by private companies for the express purpose of providing storage service. Grain, cotton, and tobacco when not placed in the private warehouses of buying merchants are stored thus,[49] and much cold storage business is done in public plants. Manufactured products, likewise, are frequently stored in public warehouses located in wholesale centers.[50]

[48] There are 248 cotton warehouses licensed under the United States Warehouse Act listed in *Service and Regulatory Announcements,* No. 68 of the United States Bureau of Markets, May, 1921. This number had been doubled by September 1. Rapid progress is also being made with the licensing of grain and wool warehouses.

[49] The grain storage capacity of the United States has been estimated as follows:

	Number	*Capacity in Bushels*
Terminal warehouses	351	262,000,000
Country warehouses	20,589	521,000,000
Mills	7,213	150,000,000

From *Address of Julius H. Barnes to the Committee of Seventeen,* Nov. 5, 1920, p. 16.

[50] This is illustrated by the practice of some agricultural machinery manufacturers who store machinery and equipment at wholesale centers in which they have no branch house. See *Report of the Federal Trade*

The control of warehouses, more especially of public warehouses, is an important element in the successful storage of products. It is especially important to the financing of marketing, since a large part of the stocks of raw materials and foods and an appreciable part of the supplies of manufactured goods are stored by independent warehouse concerns. The owners of goods are often unable to supply their own storage space and, furthermore, the service is often better rendered and more cheaply supplied when carried on on a large scale by independent, specialized agencies. From the point of view of the owner of goods, the chief service of the public warehouse is to provide a place in which the goods can be safely stored and properly safeguarded, and to furnish to the owner a negotiable receipt indicating the kind and grade of product stored, the amount stored, and the ownership.[51] Its function is to store surplus supplies of seasonal goods, to hold goods when the market is unsatisfactory, and to carry supplies for manufacturers and merchants. Warehousemen sometimes, too, serve as financial middlemen as well as storage agents, either through advancing funds directly, or assisting the owner in borrowing from financial houses.[52]

The rates which are charged and the service which is rendered by public warehouses are often regulated by the state much as are public utility rates and service. This is done

Commission on the Causes of High Prices of Farm Implements, p. 58. Meat packers have "storage and delivery" houses, local merchants who store goods as shipped and deliver to customers secured by the packers' salesmen. See *Report of the Federal Trade Commission on the Meat-Packing Industry,* Vol. IV (1919), p. 37.

[51] Fungible goods, particularly grains, are commonly stored together. No effort is made to keep each owner's goods separated; when delivery is demanded the proper quantity and grade must be delivered, but not the identical goods.

[52] Cold storage warehousemen sometimes assist shippers in financing their purchases. See E. G. Nourse, *The Chicago Produce Market* (1917), pp. 90–91.

mainly to avoid discrimination between users. Goods are commonly inspected on entering the public warehouse so as to determine the responsibility of the warehouse for their condition and quality. In the grain trade the terminal elevators are often licensed and controlled by the local exchange as well as by the state or Federal Government.[53] For when grain is sold for future delivery, contracts are met by the delivery of warehouse receipts, and successful trading necessitates confidence in these receipts.

Storage and Prices.—Storage has an important effect on prices. By making it possible to hold surplus products over from periods of surplus production to be consumed uniformly throughout the year, it helps in the adjustment of supplies to the needs of consumers, and thereby exerts an influence in stabilizing prices throughout the year. When surplus supplies are kept off the market, prices are raised during periods of abundance and consumption is thereby reduced, so that the supplies are consumed more uniformly. Again, since stored goods can be used as the basis for loans, it is possible for those who produce goods which are consumed seasonally to use the produced goods as security for loans, and they are thereby enabled to produce more uniformly throughout the year. This permits manufacturers to iron out production peaks, and so it results in improved production and reduced costs.[54] Temporary gluts in the market can be avoided, as well as temporary shortages, because goods can be stored and need not be sold at once when they are

[53] See James E. Boyle, *Speculation and the Chicago Board of Trade* (1921), pp. 97–113, for a brief history of the controversy between the Board of Trade and terminal elevator companies over the control of public elevator service.

[54] Paul M. Atkins discusses the problems involved in seasonal demand and the means used in meeting them in an article "Solving the Problem of Seasonal Goods," in *Administration,* Vol. II (Oct., 1921), pp. 473–484.

produced. The net effect, then, of storage is to make prices and consumption more uniform throughout the year.[55] This, likewise, causes a larger production and consumption of seasonal goods, for consumers are given a longer time in which to consume, and out of season prices do not rise so high as they otherwise would. Producers can bring larger supplies on the market because they do not need to be "dumped" during the short season of production. Since the surplus can be held over for later sale, prices are higher during the season and losses from dumping can be avoided. Even in the case of highly perishable commodities, such as fruits and vegetables, which cannot be stored for long, the possibility of carrying them in storage for a few days or hours prevents the loss from immediate sale on a glutted market.

Cold Storage.—One of the most interesting features of warehousing is the cold storage business. Just as certain products require refrigeration in order to be transported to any great distance, so they must be held in cold storage if they are to wait long for consumption. In the former case, as in the latter, it is the time element involved, resulting in deterioration in quality, that necessitates the "cold." Some very perishable products, such as green vegetables and such fruits as oranges, peaches, and strawberries, cannot be held long in storage. With these the main use of cold storage, as of refrigeration in transit, is to keep them in condition while en route to market, and to hold them over for a day or more, or for only a few hours, until they are consumed, or when the market is too slow to move them, for a few days at most. But in the case of other products, such as butter, eggs, poultry, and meat, the storage period may be longer. Thus, eggs which are laid in abundance during the early summer are stored until the fall and early winter when the fresh supply is scarce. In this way prices are steadied and leveled throughout the

[55] See *Report of the Industrial Commission*, Vol. VI (1901), pp. 192 ff.

year,[56] and surplus production is encouraged during the season of abundant supply.[57]

[56] G. K. Holmes, *Cold Storage and Prices,* U. S. Department of Agriculture, Bureau of Statistics, Bulletin 101 (1913). For a discussion of the various aspects of cold storage, economic, technical, and legal, L. D. H. Weld, *The Marketing of Farm Products,* Chap. VIII, and E. G. Nourse, *The Chicago Produce Market,* pp. 83–91, are both valuable.

[57] Canning factories sometimes take the surplus of perishables from the market. This performs approximately the same service as do cold storage and warehousing for less perishable commodities.

CHAPTER XVI

MARKET FINANCE

I

The problems of market finance have to do with supplying funds with which to meet the expenses of performing the market functions—particularly to carry the necessary investment in stocks, whether purchased, in process, or produced, and to meet the costs of buying and selling.

Source of Funds.—The funds used in marketing are secured through the investments of the parties to the market, through long time borrowing, and through what is commonly called "current financing." The present discussion will be confined to this "current financing," that is, to financing which has as its purpose the supply of funds with which to provide for the current expenses involved in the production, purchase, and sale of merchandise, to carry stocks, to meet the expenses of buying and selling, and particularly to meet any extraordinary or "peak" loads which find their origin in market conditions. Many of these needs are met from the permanent investment in the business and from long time borrowing. But these will not be discussed.[1]

In most industries there are certain "peak" seasons, times at which current funds in very large amounts are in demand. And there are often other seasons in which little money is required to meet current market expenses. This is especially

[1] Discussions of these factors will be found in such works as H. G. Moulton, *The Financial Organization of Society* (1921), W. H. Lough, *Business Finance* (1917), and A. S. Dewing, *The Financial Policy of Corporations* (1920).

true, for example, with farm products and with such style goods as men's and women's clothing. The peak season is found, too, in the automobile and construction industries, and, indeed, in greater or less degree in all industry. Most retail merchants and the wholesalers who supply them, find that more funds are required at certain seasons, such as Christmas, spring, and fall, than at others. Furthermore, even though the volume of business may not vary greatly, changes in prices exercise an influence upon the financial needs of a business. But problems of current finance are by no means confined to these peak seasons. For most producing and merchandising houses depend upon short time credit, rather than on capital investment or long time loans, for some of the supply of working capital with which to meet their current expenses for producing, purchasing, and selling. Small retail establishments often have practically no working capital of their own, but depend upon their supply houses to grant them credit until they can pay for merchandise from the proceeds of its sale.[2] A disadvantage in this method of financing is that the business may become dependent in a large degree upon those who extend credit to it.

Many of the demands for funds are met from the proceeds of short time loans. This is often better than to meet them all with invested funds. For that policy would frequently cause a firm to have idle funds which at best, when not in use in the business, could be loaned with safety only at low rates of interest.[3] It is evident that in the case of a prosperous, growing business, with good credit, it would be unwise to meet the peak loads, and even the bulk of normal current expenses, from invested capital. A simple example will illustrate this. Suppose a retail firm has $50,000 and can borrow $200,000 at 7 per cent. Assume it makes 12 per cent on the capital em-

[2] On the calculation of requirements for working capital, see W. H. Lough, *op. cit.*, Chap. XVII.

[3] This is true because the all important point is to safeguard the principal so that it may be obtained, unimpaired, whenever it is needed.

ployed, i. e., on $250,000, it will make $30,000. Subtract $14,000 from this—the 7 per cent interest on the $200,000 loan—and there is left $16,000, or 32 per cent profit on the $50,000 invested by the firm. Here again, however, as in the case of the firm dependent on the credit granted by supply houses, a firm's equity in its business is small. And in case of difficulties it may quickly lose control to the bankers from whom it has borrowed.

Causes of Seasonal Needs.—The problems of seasonal finance are particularly interesting to students of marketing because they are due largely to market conditions. These problems arise from numerous causes. They may be roughly summarized by stating that excess funds are needed with which to meet the expenses of a business during the period which precedes the financial return from the sale of its product.[4] The more important of these expenses are: (1) to carry production, selling, and stock peaks which arise out of seasonal markets and cause large expenditures in advance of receipts from sales; (2) to meet variations in demand from other than seasonal causes, such as exceptionally high (or low) prices for products bought or sold, or changes in the physical volume of business; or (3) to carry the stock during a period of unusually slow returns for the sales efforts put forth. These slow returns may result (*a*) from a "slow season" in which the sale of the firm's goods does not begin as soon as usual; (*b*) from "hard times" which bring a general falling off in anticipated purchases, or (*c*) from uncertainty concerning prices, which makes buyers hold off. They may also arise (*d*) from defective sales efforts, (*e*) from "frozen credit" (the failure of purchasers to pay promptly), or (*f*) from extending credit to poor risks.

[4] See Morris A. Copeland, "Seasonal Problems in Financial Administration," *The Journal of Political Economy,* Vol. XXVIII (Dec., 1920), pp. 793–826. It is evident that not all problems of current finance are market problems, although it is safe to suggest that they arise largely out of market conditions.

For the going concern, the actual amount of current funds needed is determined primarily by market conditions. If the market is not seasonal, this amount will be relatively constant. For after the product begins to reach the market, there will be a steady flow of products out of the factory and a flow of income into the treasury. This will offset the steady payments for materials, supplies, labor, advertising, and other current expenses. Such a condition with income balancing outgo is, however, seldom realized, and the industries are few indeed in which there are no problems of seasonal finance. Even with these fortunate industries many problems of current finance arise. For general business conditions affect the volume of sales, a firm's sales may slacken, payments may be slowed up with a slowing up of general business, prices vary from time to time, and deliveries of raw materials are irregular. These and many other considerations make it impossible for business to depend upon current income always to meet current outgo.

Conditions Determining Current Financial Needs.—Certain fundamental elements affect the current funds normally needed in a business. Variations in these elements, likewise, largely cause the variations from the normal which arise from time to time, as they are also responsible for varying conditions in different lines of business. Among the more important of those which influence the financing of distribution, or which arise out of market conditions are:

1. The volume of business done.
2. Unit costs, including (*a*) the costs of production and of materials, supplies, and finished goods and (*b*) the unit cost of selling and buying, and of performing the other market functions.
3. The length of time the goods are in preparation for the market: manufacture, assorting by quality, quantity, etc., in storage.
4. The stock of finished goods, materials, and supplies which

must be kept on hand in excess of the immediate needs of the plant or store—to accommodate the business to fluctuations in demand for the product and in the supply of materials and supplies.

5. Variations in stocks and in volume of business which arise out of seasonal conditions in production or marketing.
6. The accuracy with which production, or purchases, and sales are correlated. This normally shows itself in practice in the correlation between purchase and payment for the goods to be merchandised and the sale and collection of payment therefor. It involves the correctness with which the market is anticipated, the skill with which the purchasing is done, the success of the sales campaign, and the effectiveness with which collections are made.
7. (*a*) The terms of payment for sales and purchases, such as the discounts for cash, and the credit terms taken and given. (*b*) Carload freight rates and discounts offered for quantity purchases.
8. Variations in the prices of the goods and services involved, an element affecting the unit costs mentioned in 2.

Discussion of These Elements.—These points are all closely interrelated. The first four points—volume of business, the cost of the goods, the time involved in preparation for the market, and the stocks which must be carried—are fundamental in determining the amounts invested in stocks. The other points are fundamental because they effect variations in the volume of funds needed from season to season, and because they cause variations between industries. But they are likewise supplementary to the first four points, since variations in the latter affect the factors mentioned in the first four. These relations can be briefly suggested.

(1) and (2). Industries in which raw materials are expensive, as well as those which involve expensive processing to make the materials ready for market, require, first, the investment of large sums in raw materials, and, second, the invest-

ment of large sums in production, in goods in process, and in goods ready for market. Firms which have a large volume of business must likewise provide large sums for investment in goods. The relative quantities required in different industries and in different firms are primarily functions of the other points enumerated. Variations in prices and wages (point 8) affect particularly the cost of goods and the expense of marketing.

(3) and (4). It is evident that if goods are long in process (point 3) the investment in the materials being processed will be large in relation to the current output. In some industries, as in the manufacture of iron and steel and the products made therefrom—ships, locomotives, buildings, bridges—goods are in process or in storage between processes for months and often for years, before they are in the form in which final consumption takes place. In other industries, such as the canning industry, a few days completes the processing.[5] Again, if large stocks of production goods or of finished stocks must be kept on hand (point 4), a large inventory results, and so a considerable investment in stocks is necessary. This condition arises when supplies are uncertain and irregular in arrival. It is usually found when production goods come from a distance, for, in order that a constant supply may be assured, a surplus over current needs must be kept on hand near the store or factory.[6] Again, if the plant is located at a distance from the market for its finished product, or if jobbers and retailers depend upon current supplies from the factory and do not order in large quantities in advance of sales, large inventories of finished goods must be kept by the manufacturer. The iron and steel industry and the clothing industry, considering the time materials are en route and in process from mine or plantation to consumer, serve as excellent examples of industries in which large stocks of materials

[5] Even in this industry, however, growers are sometimes financed by the canners during the growing season.

[6] This problem was discussed in Chap. VI.

must be on hand. Furthermore, because of the time involved in production, large stores of stocks ready for market or near to the final stages of production must be kept in reserve to meet unforeseen demands. These conditions slow up the turnover and increase the necessary working capital and the cost of financing. When these large stocks are held by merchants the burden is simply shifted, or divided; the fundamental situation is not altered.

(5). If sales are seasonal and production involves much time, stocks must be provided, processed, and held ready for market long before they will be bought by final consumers; or if production is seasonal, stocks must be held. These conditions can be illustrated from well known industries. Since the production of cotton and wool is a seasonal industry, stocks must be held throughout the year for the use of the textile mills. The sale of clothing is also seasonal, and, consequently, much of the cloth used and many of the clothes made must be produced in advance of the seasons, if there is to be a sufficient supply of cloth for the clothing manufacturers and of clothing for the merchants. The seasonal production of lumber and the seasonal sale of automobiles are further illustrations. The canning of salmon, fruit, and vegetables, and the manufacture of sugar illustrate industries in which the goods are not long in process, but in which the production of the raw material is seasonal. Since the materials are perishable, these are held as finished products, rather than as raw materials, and are stored by manufacturers, wholesalers, or retailers. In the case of grain, the materials are held, and milling is carried on more or less uniformly throughout the year.

(6). Closely related to the problem of seasonal markets is the skill with which production and purchases are correlated with sales. This involves the accuracy with which the market demand is anticipated and the effectiveness with which the goods are sold, as well as the effectiveness with which collections are made. In case of excess production, or

excess purchases of merchandise to be sold, it may be necessary to hold goods longer than the normal period in order to avoid dumping them on the market at a loss. Or a normal supply of goods may not be sold as rapidly as anticipated, or payments may be "slow." This may be due to a "slow season" in which buyers fail to come into the market as early as was anticipated, or it may be due to the failure of the sales organization to attract buyers in sufficient numbers. In the former case the problem of carrying surplus stocks arises; in the latter, there may be the additional problem of procuring further funds with which to improve or intensify the sales campaign.

(7). The terms of purchase and sale (point 7a) affect the need for working capital to invest in materials, supplies, and the final product. When the manufacturer must pay cash for materials and supplies, perhaps even finance the production of them, and when he gives credit to those who purchase the final product, he must supply funds with which to carry the stock of materials and supplies on the one hand and the finished product on the other, as well as the other expenses of marketing. At the other extreme is the manufacturer who is given credit for his supplies and has his working capital advanced by purchasers. In his case direct financing is at a minimum. Again, the length of time for which credit is extended to customers and the time creditors extend affect the volume of current financing. It may be further influenced by the extent to which cash discounts are offered and taken.[7]

Carload freight rates and discounts offered for large purchases (point 7b) affect the volume of goods purchased at any one time, and, hence, the amount of funds needed. A large difference in freight costs between carload shipments and smaller shipments, or a large difference in price between large and small orders, frequently makes it worth while to

[7] See pp. 342–345

order in larger volume than current needs would otherwise necessitate. Larger amounts are thereby invested in stocks.[8]

(8). Finally, variations in price may have an important effect on the amount of funds needed. The large price increases of the recent war period increased the value of stocks in inventories, sometimes by more than 100 per cent. Similarly, low prices decrease the funds needed to carry on the regular volume of business. In times of abnormally high prices the requirements of business for current capital are, consequently, greatly increased. This is true even when there is no increase in the physical volume of trade. It is in such times that a great strain is placed upon the credit structure.

Middlemen and Finance: Division of the Burden.— Dealers, i. e., merchants and functional middlemen of exchange, are likewise affected by the conditions which have been discussed. But they do not have to finance goods in process of production. This is true, unless, as is sometimes the case, they help to finance the producer by allowing him to postpone payment for goods which they sell to him, or by the advancement of funds to producers or dealers whose goods they purchase.

"It is not an uncommon practice for them [wool merchants] to advance to the growers of the west, or to the small merchants of the east, substantial sums of money on consigned wool, or even

[8] It is evident that these elements simply determine how the burden of carrying goods shall be divided among those who handle them. It would be incorrect, however, to say that this division will not affect the total stock held in an industry. For the further along the line of distribution the burden of carrying goods is forced, the larger is the total inventory which is likely to be necessary. The stock is less fluid under these conditions than when it is more centrally located. When quantity prices for goods and transportation are offered, it may be uneconomical, nevertheless, to order small lots, and so each buyer tends to keep a larger stock on hand than his business would otherwise warrant.

on prospective clips, and it is sometimes necessary for the merchant to carry his manufacturer customer for months or even, in some cases, until he can realize on his manufactured product." [9]

In most industries the burden of financing and the accompanying risks are divided among the parties to a transaction.[10] The investment of funds in commodities brings with it the necessity of bearing market risks and the risks of physical deterioration. During a very large part of the journey of products from producer to final consumer this burden rests upon the middleman. In some cases, as in the canned fruit and vegetable market, the middleman is the predominating figure. In others, as in the sugar trade, the manufacturer predominates. The extent to which the burden is shifted depends in a large measure upon the financial strength of the parties to the exchange. When both parties are financially strong, business will probably be done on a cash or short time credit basis. But if a middleman or manufacturer is forced to give credit to his customers, even through he is strong financially, he is likely to endeavor to obtain credit from his sources of supply. When one party is financially weak and the other strong, it is the stronger which is likely to bear the burden of financing. Thus in the cotton grey goods trade many mills in the East buy raw cotton outright with their own or borrowed funds. Weaker mills may also stock cotton in advance, but they are likely to require an advance of funds, or to have their own weaker credit supplemented by the selling houses which handle their finished products. The evolution in the sale of harvesting machinery is also a case in point. The International Harvester Company formerly allowed considerable time, usually three years, for payment. But the increasing financial strength of the farmer was taken advantage of in 1919 and cash payments became temporarily the rule.

[9] P. T. Cherington, *The Wool Industry* (1916), p. 64.

[10] The risks involved in marketing are discussed in Chap. XVII.

The division of the finance and risk burdens is also dependent in a measure on the custom of the trade. Competitive conditions, likewise, play a part. For example, when there is a tendency to overproduction in an industry the burden of financing is likely to be shifted to the producer, since the granting of credit may be used as a selling argument and the demand is not great enough to force the financing upon the buyer. On the other hand, when demand is great, an opportunity arises for the seller to shift the burden of carrying stocks upon the buyer. This occurred through the shortening of credits during the period of the World War.

Stock-Turn and Finance.—It is a principle of sound merchandising that the investment in stock shall be as small as is consistent with the needs of the business. The stock of raw materials and supplies which the manufacturing plant has on hand or en route to its factory should be no larger than the immediate needs of the plant demand, and its supply of finished products should not be in excess of the immediate needs of its market. The stock of the merchant should be no larger than service to his customers necessitates. The ideal would be for the raw materials to flow into the factory in just sufficient quantities to meet the needs of processing, and for processing to proceed so as to turn out finished goods in exactly the quantities immediately demanded in the market. With the merchant, the ideal would be for goods to come into the storehouse just in time to be put into proper condition for immediate sale. This ideal is, however, impossible of achievement. The variable factors which make it impossible have been described. But even though the ideal cannot be fully realized, good merchandising seeks to approximate it, for, in the words of the trade, a rapid "turnover" or "stock-turn" is an essential to successful merchandising.[11]

[11] Retail stock-turn was discussed on pp. 201–205. In a factory the rapidity of the stock-turn is determined by the rate of turnover of finished goods and raw materials, and by the time the goods are in process.

II

Source of Funds and Means of Extending Credit.—Working capital with which to meet the needs previously outlined may be supplied in the following ways:

1. *By using invested capital*—funds of the firm or funds borrowed on a long time basis.
2. *By postponing payment,* and thereby shifting the burden upon the seller—through the open book account, promissory note, or draft drawn by the seller on the buyer or his bank.
3. *By borrowing funds* on a short time basis—usually from banks, either directly or through brokers.

The second and third methods are of primary interest to students of marketing.

Postponing Payment: Types of Credit.—All the methods of short time financing, except the use of a firm's own funds, involve the use of credit. Whether funds are borrowed in order to pay "cash" on purchase or soon thereafter, or whether the payment of cash is postponed by the buyer, the basis of the transaction is credit, personal or mercantile. In either case the goods must be "carried," that is, someone has to have funds tied up in them.[12] As a rule, it is the commercial bank which carries the short time debts which are created in carrying on the market processes.

[12] In the discussion which follows no effort will be made to keep separate the consideration of funds borrowed to carry on the sales and buying efforts of a firm and those invested in stock. It is evident that if goods are sold at a profit the sales expenses must be covered in the selling price, and consequently, to the next buyer become a part of the cost of the goods. Likewise, in the market as a whole, they must be considered as a part of the cost of the goods. It is true that to the firm which has the expense for its selling organization there is nothing immediately tangible to utilize as collateral for a loan, but a large part of borrowing by such organizations is, in any case, in the form of unsecured loans made upon the belief in the intention and ability of the borrower to make good, rather than on immediate tangible collateral.

There are essential differences between mercantile credit and personal credit.[13] Mercantile credit is granted by one business house to another; personal credit is granted by a business house to an individual. The latter, as a rule, enables individuals to buy goods to consume. It does not assist directly in carrying on the processes of industry, but permits the individual to anticipate his future income in order to provide for immediate needs. It does not rest on the assumption that the goods will be sold for profit by the debtor.

"Commercial or mercantile credit, however, has production in mind. It 'carries' a business transaction. It fills the void between purchase and sale. It gives the buyer time to turn the goods into money before he pays for them. It gives the manufacturer time to turn raw material into finished products before payment is due. It provides working capital. It is productive credit, and the whole process of production, transportation and distribution is based upon it." [14]

In some degree commercial credit depends ultimately upon personal credit. This is true, even though the immediate loan may be based upon mercantile credit, and perhaps upon actual merchandise pledged as security, because all production is in the end carried on to prepare goods for personal consumption. It is only on the assumption that the goods, or in the case of machinery and supplies, the goods which they help to make, can be sold for final consumption, that all business is carried on, and that mercantile credit can be arranged. And inasmuch as many goods for personal consumption are sold on credit it is evident that, to the extent that this is true, the whole credit structure rests ultimately upon personal credit.[15] For if the retailer does not carefully investigate his risks and

[13] James E. Hagerty, *Mercantile Credit* (1913), Chaps. III–V; W. H. Kniffin, *The Practical Work of a Bank* (2d ed., 1916), pp. 387–402.

[14] W. H. Kniffin, *op. cit.*, p. 395.

[15] The reasons for the growth of personal credit as outlined by Kniffin are as follows: (1) the desire of sellers to extend business, (2) the fear of offending customers by refusing credit, and (3) the "all-too-prevalent tendency to live beyond one's means."—*Ibid.*, p. 396.

gives credit to customers who do not pay, he cannot pay the jobber or the manufacturer or his bank, and these in turn may not be able to meet their obligations. In the first instance, the credit structure rests on the assumption that goods will be bought for final consumption. If this does not follow—if there is a buyers' "strike," or if particular goods fail to move—the whole credit structure suffers. But, furthermore, if the goods even when sold for final consumption are not paid for, there is the same result. It is to avoid this last possibility, as well as the cost and work involved in credit sales, that so many retailers, especially in the staple lines, have adopted the cash system of selling. Goods must be carried even though sold for cash, but the period is not so long, and the risk arising out of the possibility that goods when sold will not be paid for, so far as the retailer is concerned, is removed.

The Credit Period.—The credit period tends to conform to the times at which the debtor expects to receive the funds with which to pay. Credit for personal consumption tends to conform to the times at which the personal income is received. For example, credit to wage-earners is frequently extended for a period of one or two weeks. Those working on a salary are usually paid on a monthly basis, and from them monthly payments are expected. In the country, payments were formerly expected after the crops were sold. In more recent years the growing affluence of American farmers and their growing use of bank credit has tended toward shortening the credit period. In case the purchase involves a large amount, as in the purchase of furniture, a piano or an automobile, the period may be longer but periodic payments corresponding to the receipt of the income are usually expected.[16]

The time involved in mercantile credit tends to conform to that during which goods are in process and on the market

[16] This is done, for example, with the "dollar-down, dollar-a-week" plans, and in the monthly payment plans for buying automobiles, pianos, phonographs, furniture, and books.

before they are sold. In the case of goods which are to be sold for cash, this turnover period will include, for raw materials, the time involved in production in addition to the time necessary for their sale. With raw materials or finished products to be merchandised only, it will cover the time involved in selling the stock. In the case of goods sold on credit the period must be extended to include the time needed for collection, unless the sale can be made to finance itself, through the discounting of the promissory notes of the buyer or drafts drawn upon him.[17] In this case the goods themselves may serve as collateral. This conformation of the time of loans to the receipt of income from individual sales is, however, but rough. Sellers and buyers often borrow from the banks in amounts and for times to cover a period or a season's purchases and sales,[18] and these loans are frequently renewed from time to time.

The Security for Credit.—The security behind a credit transaction varies greatly. There are, however, two general classes of credit transaction—secured and unsecured. By this it is meant that there may be a pledge of specific collateral to protect the creditor, or that the transaction may rest merely upon the reputation and general assets of the debtor.[19]

The personal credit of retail business is usually unsecured. Neither notes nor drafts are often used. The common book account prevails. As goods are sold a charge is made "on the book" to the account of the debtor. Goods for personal use are generally sold in small quantities at frequent intervals. The effort to secure the loan by any of the methods used in mercantile transactions would involve an amount of detail and trouble out of proportion to the value of the transac-

[17] Even in this case the credit of the seller is the fundamental factor, see p. 341.

[18] This point will be discussed later; see pp. 342–346.

[19] An endorsement of the paper, note, or draft by a second party may add to the certainty of payment but such paper is considered unsecured. See Langston and Whitney, *Banking Practice* (1921), p 286.

tion. As a result, personal credit is generally based solely on an estimate of the character and the capacity of the individual to pay. Dependence is placed on the fact that if reasonable care is used in extending credit, most bills will be met. A large percentage, furthermore, of those who receive credit have, other than the goods which are purchased, no tangible assets to pledge. And inasmuch as the goods are withdrawn from trade, and are usually consumed immediately after purchase, they cannot be used as collateral.

Personal credit is, however, sometimes secured by the goods which are sold. This may be done through a conditional sale, the seller keeping title to the goods until they are finally paid for. It may also be done by covering the goods with a chattel mortgage. The credit extended on goods sold under a partial payment plan is usually secured in one of these ways. Many installment houses do a thriving business on such a basis, taking a certain amount on delivery of the goods and requiring periodical payments thereafter, until the goods are paid for. Automobiles, pianos, phonographs, and household goods are frequently sold in this way. Machinery, automobile trucks, harvesting machinery, cash registers, and other products sold to manufacturers, farmers, and merchants are other examples.[20]

Mercantile credit, likewise, may be secured or unsecured. The unsecured "book account," common to retail trade, is likewise the most common method of granting mercantile credit.[21] But a large percentage of credit sales are evidenced by promissory notes or accepted drafts. The note is given by the buyer to the seller and the draft is drawn on the buyer or his bank, and accepted by them. Either may be held until due or it may be endorsed and discounted at the seller's bank. Finally, these notes and drafts may be secured by title to the goods involved in the transaction, through

[20] Most of this latter group should be classified as credit for investment in permanent equipment.

[21] For the reasons for this, see pp. 346–347.

the medium of a bill of lading, warehouse receipt, trust receipt, or similar document, or by depositing other collateral—as stocks and bonds.

The Seller and the Bank.—The most common way for the seller to carry the credits he grants is to borrow of banks until payment is made. This may be done by means of a direct loan from the bank, or through the sale of the seller's own notes in the "commercial paper" market. These loans are usually unsecured. The loans of those who sell on open account obviously cannot be secured by the goods themselves.[22] The seller cannot use the goods, if sold outright, as a basis for collateral. But he may take a note from the buyer, or he may keep title to the goods through a bill of lading, warehouse receipt, trust receipt, or similar document. These can be endorsed to the bank together with discounted drafts drawn on the buyer. This method is largely used in the sale of cotton, wheat, and other grains. Outside collateral, such as stocks and bonds, can also be used. But these involve the investment of the seller's own funds which he would normally put into his business. Since it is to avoid the necessity of keeping his own money tied up in the stock as well as because of the lack of funds that the seller goes to his bank, this method is not frequently used.

The unsecured note of a seller, provided he has a reputation for character and ability, and provided his business is in a satisfactory state, is commonly considered sufficient. This is particularly true in so far as the loan is made to cover current sales. Such loans are self-liquidating. That is, an actual sale of goods has been made, and the normal expectation is that the bill will be paid. If the borrower has a good credit standing, collateral is unnecessary. Should notes or drafts be

[22] In recent years there has developed the practice of advancing money against open accounts. This practice has been largely frowned upon by commercial banks, and special finance and discount houses now specialize in this work. See W. H. Lough, *Business Finance* (1917), pp. 406–410.

used in paying the seller, they may be held by him, discounted at the bank, or used as collateral. But in either case, the loan is made primarily because of the bank's belief that it can collect from the seller. It is his credit which is primarily considered.

Borrowing Funds on a Short Time Basis.—It has been shown that the buyer may pay out his own funds in buying goods; that he may borrow money with which to pay; that he may be extended credit by the seller; and that the seller may endorse and negotiate the buyer's paper, or use it as collateral for his own loans, or even hypothecate his receivables. It has become increasingly the practice, when the buyer is unable to pay for goods at once out of his own funds, for him, nevertheless, to make immediate payment. To do so he must borrow the funds. Again, even though he may be given time in which to pay the seller, it may still be necessary for him to borrow to make the payments when they are finally due.

Why is it that a buyer will borrow money with which to pay cash, rather than be carried on the books of the seller? Two reasons present themselves. The first, and generally the more important, is his desire to benefit by the cash discount. The second, is his wish to avoid dependence upon a creditor supply house.

The Cash Discount.—The cash discount is a discount from the invoiced bill which is made for immediate payment, that is, for payment on receipt of the bill or the goods, or within a short period thereafter. Thus, in some industries, sales to dealers are made on the terms, "2 per cent ten days, net thirty." This means that if the bill is paid within ten days after its receipt a deduction of 2 per cent from the face of the bill is allowed, and that in any case the bill becomes due at the expiration of thirty days. If the buyer has funds of his own, or can borrow at the market rate, say at 5 to 7 per cent, and pay this bill, it will be to his advantage to do so. Fur-

thermore, the bill is due in any case in thirty days. So the only additional financing required is to procure funds for the twenty days intervening between the tenth and the thirtieth days. Money can be borrowed at, say 6 per cent. The cash payment of a bill for a thousand dollars will result in a saving of $20 from the face of the bill. The $980 borrowed will cost, at 6 per cent for the period of twenty days, only $3.27. But if the bill is not paid within ten days, the buyer will be paying $20 for the use of $980 for twenty days. This is at the rate of $365 per year, or 37.24 per cent per annum.

Historical considerations and customs resulting therefrom seem to explain the very high cash discounts offered.[23] Before the Civil War it was customary for dealers to make trips to market at infrequent intervals, purchase goods, and pay for them on their next trip, usually at the end of six months. They gave their notes in the meantime. But with the unsettled conditions following the outbreak of the war, and particularly the unsettled times of the "greenback" period which followed, the creditor was fearful lest his customer could not pay, and uncertain as to the actual amount of money he might get when outstanding bills receivable were paid. It became customary, therefore, to offer "terms," with a high discount from the face of the bill for early payment.[24] These discounts continue to-day, partly from custom and partly as a collection device. Since they are intended to be taken, the seller discounts the proffered discount in pricing. That is, in

[23] For cash payment, a discount of 5 per cent is not uncommon. In the sale of common brick, for example, the terms are "5 per cent ten days, net 30 days." The customary terms offered in all important industries are shown in a series of eight articles entitled "Terms of Sale in the Principal Industries" beginning in the December, 1919, issue of the *Federal Reserve Bulletin* and extending through the November, 1921, issue.

[24] See W. H. Kniffin, *The Practical Work of a Bank*, pp. 464–466; see also Bureau of Foreign and Domestic Commerce, Miscellaneous Series No. 34, *The Men's Factory-Made Clothing Industry* (1916), pp. 246–251.

the case above, the seller undoubtedly considers his true price as $980. And the buyer who pays $1,000 is at a very great disadvantage in competition.

This practice makes the buyer a frequent borrower at the commercial bank. To-day, instead of making a note payable to the seller, who thereby bears the burden of financing the transaction, the buyer commonly makes out a note to his bank, or sells his "paper" in the market. In this way he obtains funds with which to pay "cash" to the seller. Single name paper sold to banks by purchasers has thus taken the place of the buyer's note to the seller which, after endorsement, the latter formerly discounted at his bank, or held until maturity. In some businesses, such as the lumber industry and the agricultural machinery trade, the older method, however, continues to be used. But in industries in which the buyer pays one price for cash and another after thirty or sixty days it is not convenient to use a note, for the principal sum cannot be known in advance.[25]

Cash Payment for Independence of Supply Houses.—There is a second reason for the tendency for the buyer to borrow funds with which to pay "cash." When a buyer is carried on the books of his supply house, or his paper is endorsed by them, or he is otherwise financed through their offices, a more or less definite obligation is thereby established. As a result of such an obligation he may be forced to continue to do business with his creditor, even though it may not always be to his best interest. In fact, such credit is sometimes extended with a distinct understanding that the debtor is to give his business to his creditor.[26] The buyer is thereby put at a disadvantage in his buying against competitors who are not thus tied to a single supply house. The same difficulty does not arise when money is procured in the

[25] For further reasons, see pp. 346–347.

[26] When commission houses in the grain trade agree to finance country shippers there is usually an agreement that all, or a certain part, of the shippers' grain shall be consigned to the commission man.

market. If the firm's paper can be sold in the open market the creditors can be paid. Consequently, they exercise no influence over the debtor's business, because of his financial obligations to them.[27]

The Buyer and the Bank.—When the buyer prefers, or is required, to pay for his goods on delivery or soon thereafter, the burden of financing is his. Well known houses can usually finance such transactions through borrowing on their unsecured paper. But some form of collateral security, particularly bills of lading and warehouse receipts, is sometimes required. This is not necessarily because the bank considers the loan unsafe. But the goods are in the hands of the buyer, and since he holds title to them, they can be conveniently used as collateral. Furthermore, a borrower may be able to secure larger advances in this way, as when produce dealers have exhausted their line of credit with their banks and desire further advances of funds. But the loans would seldom be made if the bank could not rest the further credit on its confidence in the buyer and in his ability to market the goods.

In the marketing of raw materials in particular this type of loan is important. From the time when grain or cotton, for example, is sold at the farm the goods are commonly used as the basis for loans by means of which those who own them can procure funds for making further purchases.[28] These loans, in turn, are liquidated when the product has been resold.

"The cotton buyers make arrangements with the local bankers where the gins are located, for the payment of the cotton, the banks furnishing actual cash against tickets issued by the buyer's representatives, holding the tickets in question as their collateral

[27] But many buyers cannot get funds from the bank. Their credit is so poor that only supply houses who can watch them closely will risk the danger of loss.

[28] Cotton is sometimes hypothecated, as the basis for money borrowed, or goods secured on credit, even before it has been sold by the grower.

in the meantime. When a sufficient amount of cotton has been accumulated the local banker at the request of the buyer's agent delivers the tickets in question to the local agent of the railroad, who in turn issues a bill of lading covering the shipment to compress point, which then is attached to the draft drawn by the buyer's agent upon the buyer's head office, which draft includes the price paid for the cotton plus interest and exchange charged by the local banker, who is reimbursed by the amount of the draft thus drawn. When this cotton is ready for export local bills of lading covering shipment from point of origin to compress point are exchanged by the cotton buyer's banker for local bills of lading to port or for through bills of lading." [29]

III

Particular Credit Devices.—Promissory notes and drafts are used less in American trade than in foreign trade. They are, in fact, used far less in American trade to-day than they have been in the past. Two important reasons for this exist. One is the cash discount; the other is the tendency to buy in small amounts and at frequent intervals. With the development of cash discounts, it has become the custom for dealers to make payment for goods soon after the receipt of the bill. Such sales are often carried on the books in the meantime as open accounts. With the cash discount there is an option of paying any one of two or three prices, each at a different time. The exact amount of the bill is, therefore, not known by the seller at the time the sale is made. In lines where open book accounts prevail, when a promissory note appears it is usually the note of a poor credit risk who has not met his obligations within the prescribed time. With improvements in transportation and the tendency for merchandisers to do a large volume of business on a small stock investment, shipments have come to involve relatively small amounts. It is inconvenient to settle bills for such small accounts with promissory notes or drafts. Furthermore, credits can be more

[29] John J. Arnold, "Financing of Cotton," *Annals of the American Academy,* Vol. 38 (Sept., 1911), p. 601.

closely watched under these conditions and the credit granted to any one house at one time is small. Consequently, there has developed a preference for the book account.[30]

Promissory notes occupy an important position, however, in some lines. In the sale of products of relatively large value, payment for which is made in installments—for example, equipment for farm, factory, and store—part payments are frequently provided for by obtaining notes from the buyer. The same method is sometimes used in the sale of real estate, houses, household goods, motor vehicles, and consumption goods of large value.[31]

In trades in which the buyer gives a note or accepts a draft in the purchase of goods, the seller may or may not use the note as the basis for his own borrowings. If his credit is good and if the notes are from many sources and in small amounts he may simply hold them, and borrow on his own unsecured note. In such cases the banks do not know, and cannot afford to determine, the credit standing of the note makers, but depend on the seller's credit. If his credit is not so good as is that of the note maker, or if the notes are for large amounts, he may endorse them and discount them at his bank or sell them through note brokers.

[30] Other reasons for the tendency to eliminate drafts and notes is the mitigation of the doctrine of *caveat emptor* and the substitution of implied warranties. That is, the old rule of the "buyer beware" has been changed by legal action and trade practice. There are, consequently, often adjustments in price which must be made when the quality of the goods does not fulfill the contract, expressed or implied. This is a further condition which makes it impossible to know the exact amount of a bill at the time when the draft would be drawn or the note made out. See the Brief of the Merchants' Association of New York, filed before the Federal Reserve Board, concerning the quality of paper eligible for rediscount, quoted in Kniffin, *op. cit.*, pp. 470–475.

[31] An interesting development of recent years is found in the sale of automobile paper and the rise of a special type of house to act as an intermediary between the dealer, who takes the notes, and the commercial banks. See H. G. Moulton, *The Financial Organization of Society* (1921), pp. 437–454.

Drafts.—Many transactions are financed by means of drafts drawn by the seller on the buyer.[32] These are often accompanied by the documents carrying title to the goods, such as bills of lading or warehouse receipts, and title to the goods does not pass to the buyer until the draft is paid or accepted. When a draft is accepted by the buyer it becomes virtually a promissory note, which may be discounted in the money market or held by the seller until maturity. In this latter case he may get funds, as with the promissory note, by borrowing at the bank. But there is then no necessary connection between the accepted draft and his own transaction at the bank; they are distinct. Such a draft, accompanied by the documents and accepted by the buyer, is the trade acceptance, an instrument brought into prominence since the establishment of the Federal Reserve System.[33] When the buyer makes an arrangement by which such drafts will be accepted by a bank on which they are drawn—bank acceptances—they become the easiest kind of paper to discount in the market.

Commercial Paper.—Mention has been made several times of firms borrowing money on their unsecured note rather than utilizing any form of security, whether it be the security of the goods themselves or the note or draft of the buyer. When such paper is sold in round denominations for a definite period of time, to banks, or through note brokers, or to commercial paper houses for resale to commercial banks or other investors in the open market, it is called "commercial paper." Paper which has its origin in actual commercial operations is also called commercial paper. This latter class of paper has been given great emphasis under the Federal Reserve System. The characteristics of such commercial paper, as laid down by the Federal Reserve Board, are that it shall be paper drawn for agricultural, industrial, or commercial purposes. In in-

[32] In Europe and in foreign trade, commercial transactions are quite universally financed in this way.

[33] See Moulton, *op. cit.*, pp. 162 ff.

dustrial and commercial transactions it must not run for more than 90 days; in agricultural transactions 6 months is allowed. And the notes must be self-liquidating, that is, drawn for the purpose of moving commodities to market. It is further assumed that the sale of the commodities involved will furnish the funds with which to pay the notes.

Cold Storage Finance.—An interesting variation in market finance is found in the case of products held in cold storage. There are many small dealers with relatively small capital who purchase eggs, for example, in the spring and hold them over into the fall and winter. They, like many other buyers of eggs, place their stock in a cold storage plant. To finance their operations they borrow from the cold storage dealer, giving control over the title to the eggs in storage as security. But the cold storage plant does not furnish the money; it in turn utilizes its own credit, with the eggs as collateral, and borrows from the banks. The dealer thus acts not only as a functional agency for the storage of products, but as a functional financial middleman as well.

CHAPTER XVII

MARKET RISK

I

Market risk is due primarily to fluctuations in prices. That is, price changes cause actual loss, or the loss of potential profit, to those who own goods and to those who must purchase them. If, for example, the price at which a farmer sells his grain is higher than the cost of producing it, the farmer gains; but those who purchase are forced to pay the higher price. If they had anticipated a lower price, potential profits decline, or actual loss results to some or all of them. But when the price is low the gain is theirs, and the loss is sustained by the farmer. All producers bear risks of this kind. And all middlemen, particularly merchants, are confronted by them. Anything, then, which affects the demand or supply for a product, or which brings about a maladjustment of demand and supply, such as poor crops, deterioration of goods in storage, style changes, influences its market price, or the price of particular lots of it, and may thereby cause loss to some and gain to others. It is the danger of loss from circumstances which are not foreseen that is here called market risk.

Time Risks.—In most market transactions the risk involved is due to the passage of time. Goods or services are bought with the hope or expectation that they can be sold later at a price that will net a profit, but in the meantime prices may fall or the product may deteriorate. The merchant incurs such a risk when he buys a product in the wholesale market for later sale in the retail market; the retailer runs

a similar risk in buying from the jobber, expecting to sell at a profit to the consumer. But if consumers will not buy at a price that is profitable to the retailer, he must stand a loss. He may even be unable to pay the jobber for the goods. In any case he will be unwilling to buy at the old price, and, perhaps, in the former volume. The jobber, nevertheless, may have already bought from the producer, and so he, in turn, suffers loss. The producer incurs a like risk, for he must use capital, labor, and raw materials in producing his product, although by the time it is ready for market there may be no demand, or such demand as exists may be at a price so low that loss will ensue. The man who buys a house runs a risk that real estate values may decline or architectural styles may change. And he may find consequently, that his house is not salable at a profit, or, if he bought it for a home, that it does not give him a degree of satisfaction corresponding to the investment. So any investor incurs a risk that the value of an investment will decline until his income therefrom is smaller than he had anticipated, and that the principal sum may be partially or completely lost.

Place Risk.—Place risks are now minimized. Market news spreads so rapidly that in well organized markets it is seldom possible to buy goods in a market where prices are low, transport them to a market in which prices are higher, and there sell at an extraordinary profit. Neither is it likely that goods purchased in one market will have to be sold at a heavy loss in another market, simply because prices are lower there than in the first. This is because of the fact that such gains or losses as these can arise only out of the lack of knowledge of conditions in one market by those who are in another. But in dealing with markets which are not highly organized, with perishable commodities, or with ignorant people, profits may be taken and losses occur because prices in different markets are out of line with one another. That is, the different price levels are due to the fact that the commodities are in different places, rather than to the fact that a period of

time has elapsed during which prices for the commodity have changed in all markets.

The Influence of Roundabout Production on Risk.—The roundabout method of production makes the time element particularly important, and so is an important cause of market risks. Production commonly involves fixed investments and heavy expenditures which may have to be made years before the proceeds can be expected to return profits or to safeguard the principal; and it frequently takes months to prepare a product for market. A steel manufacturer hires labor, buys land, constructs a plant, and procures materials with which to make steel to sell to a manufacturer of machines. The manufacturer of machines in turn has invested with the expectation of selling his machine to a manufacturer of bicycles, and the bicycle manufacturer purposes to sell his product to the public. But in the meantime automobiles and motorcycles are put on the market at prices which curtail the profitable demand for bicycles. This necessitates a readjustment all along the line.

Of course, it is true that the plant of each manufacturer can be adjusted to the new needs of the market. But this may involve expenses which were not anticipated and which some of the manufacturers may be unable to meet. Other manufacturers, furthermore, may have foreseen the change that was to take place and have taken the cream of the new market themselves. If those who were less successful in their forecast of the market succeed in gaining an adequate demand, it may be only at an excessive selling cost.

Or in an even more frequent case, a manufacturer of automobiles may estimate that he can make a certain number of sales during the season, and so prepare to produce an equal number of cars. But when the season opens, although he has a large stock ready to ship and materials and equipment and labor for making more, his cars may not sell as rapidly as he had anticipated; or perhaps the demand for his automobiles may be good for a time, but eventually he may lose business

to competitors or to the manufacturer of aëroplanes. Again, hard times may depress the market, or transportation facilities prove inadequate to bring supplies to the plant and move the cars to the market.

A large part of the investment in modern industry is relatively permanent, and often cannot be salvaged after unfortunate market changes, except by changing the equipment and the product manufactured. This may involve great expense and even then the market may not be large enough to take the new output at a price that will net a profit. If the new product does not appeal to the public, or if the plant cannot be readily transformed, it may even be necessary to sell the plant at a considerable loss. In addition, surplus stocks containing the results of large investments in labor, materials, and capital may lie in the warehouse unsold, or they may have to be sold at less than cost. It is evident that, since the investment and expenses of many producers anticipate the market for years ahead, an error in judgment or a change in conditions may result in large losses.

Risks of Competition.—A general change in demand is not the only market risk that the producer must face. A competitor may revise his method of manufacturing so as to improve the quality or lower the costs of his merchandise, or he may improve his methods of selling. In consequence, prices may be cut and demand be diverted by competitors until a particular producer, if he cannot utilize the same or equally successful methods, is forced to sell at a loss or even to go out of business. Merchants likewise have this to contend with. The indifferent country storekeeper finds that he is losing his trade to an up-to-date competitor around the corner, or to the mail order house, or to the new branch of the chain store; or that the interurban and automobile make it possible for his customers to trade at the city near by. Finally, risk arises because the consumer is a complex individual with variable likes and dislikes whose demands are easily influenced through education, changing environment, styles, fashions, seasons, and

the efforts of vendors to create demand; and whose purchasing power is altered through changes in status, local prosperity, depressions, panics, and crises.

Other Risks.—Enough has been said to show that business is an undertaking involving great risk, risk which arises primarily out of market conditions. But there are two other familiar classes of risk to which the business man is subject, and which may have a very direct effect on his marketing activities and their financial results. There are what may be called natural risks: rain, wind, lightning, hail, earthquakes, disease, vermin, heat, and cold. And there are other risks which arise partially, or wholly, out of the human element and only partially from natural causes: fire, accidents, losses at sea, losses from bad debts, dishonesty (moral hazard), incompetence, strikes, and lockouts.

II

Some Methods for Minimizing Risk: Prevention.—Effort is constantly being made to eliminate risk altogether, or else to minimize its effects. A great part of this effort consists in shifting some part, or all of the risk to others who are more willing or better qualified to bear it. Another important method of dealing with risk is to do away with its causes, or at least to minimize the chances of the loss. Insurance and hedging are important examples of the first. Examples of the second include the following: an increase in the knowledge of market conditions on the part of business men, with a corresponding decrease in the purely market risks; the construction of fireproof buildings and fire escapes to decrease the fire hazard; safety vaults, police systems, burglar alarms, and the inculcation of ideals of honesty to minimize losses from burglary and theft; mechanical safety devices and education in "safety first" to reduce the number of accidents; and education in effective business methods to reduce the risks from incompetence.

Minimizing Market Risks.—It has been shown that the risks which arise from the market are due to unexpected changes in the demand and supply of commodities. These risks are particularly important to modern specialized producers. Since they produce in advance of the final demand for their product, it is evident that loss may result either from a reduced demand or an increased supply of the goods they are producing. Among the more important means of reducing such risks are:

1. Government regulation and guaranty of price and service.
2. Effective sales efforts.
3. Associations and combinations among competitors.
4. Knowledge of the market.
5. Shifting and dividing risk.

When the government guarantees a minimum price for wheat, the risk of loss from a lower price is removed from the farmer.[1] When a maximum price for the railroad rate between two points is definitely established the risk to the manufacturer of paying a higher rate than had been contemplated when prices were quoted or when orders were taken is eliminated. When rebates are made illegal, and the law is enforced, small manufacturers are saved from the loss that may arise from a larger competitor's ability to undersell them because he receives rebates.

Goods may be advertised extensively with a view to increasing or maintaining demand and avoiding the risk of substitution. Buyers are made familiar with certain trade-marks and brands through advertising, until there is little danger that the manufacturer will lose a sale through the substitution by the retailer of another product which the consumer ignorantly accepts as the one he asked for. If the seller can convince the buyer that his product is the best, he has removed a large part

[1] It is, however, shifted to the government. If the guaranteed price causes over-production a greater social loss occurs than would have otherwise been felt.

of the danger that any other product will be substituted. Even though this may not be possible, selling effort may, nevertheless, create a favorable attitude of mind which makes later sales efforts more effective. Through such means markets are maintained or improved, and the risk of loss from a declining demand is reduced.

The formation of associations and combinations among competing firms tends also to reduce market risk. An understanding among competing manufacturers that they will allow but 30 days' credit reduces the credit risk and regulates competition in credit giving. An agreement to sell fresh fruits at prices established by a local grocers' board does away with competition which might be manifested in price-cutting; an agreement to make but two deliveries a day, or the establishment of a coöperative delivery service lessens competition in delivery service, and so, as in the last case, narrows the field of competition and makes it easier to estimate and control. An agreement among paper manufacturers to allot territory among certain manufacturers on an agreed basis, or to limit production to an agreed maximum, likewise limits risks. An understanding among competing coal or oil producers to follow the prices of a particular large operator stabilizes price competition; so do the activities of open price associations.[2]

Again, when a manufacturer or dealer buys up strong competing manufacturers or dealers, he thereby removes competitors, and so reduces the risk in his market. Perhaps the chief object of the so-called "trusts" has been to reduce or to remove entirely certain risks of the market, with a particular view toward eliminating the risks that arise from competition.

Minimizing Risk Through Knowledge of the Market.— Since market risks arise from changes in the conditions of demand and supply an important means of reducing them is to obtain a correct knowledge of the market, present and future. If a manufacturer knows there is to be a shortage of raw material which is essential to his business, he is likely to

[2] See pp. 389–390.

go into the market early in order to buy it as cheaply as possible, or even to make sure that it can be procured at all. On the other hand, if he knows that the price of that raw material is likely to go down in the immediate future, he will wait until it is actually needed before ordering so that he can take advantage of the lower price. It is to avoid risks such as are here suggested that the various means of assuring a supply of raw materials described in Chapter VI are used. The more knowledge the merchandiser has of market conditions, the more his plans can be made to conform to actual market conditions as they unfold. Market risk is thereby reduced.[3]

With the rapid perfection of the means of communication and the accompanying increase in the knowledge of market conditions, it would seem that market risk could be increasingly minimized. But industry and commerce, on the other hand, are constantly growing more complex and market conditions more difficult to forecast.[4]

Shifting Risk.—Government assistance, effective sales effort, coöperation or combination among competitors, and accurate market forecasts are all important means for lessening market risks. But in many cases they are not available or not effective. This is particularly true of market forecasts. For, even with the best available market news service, forecasts of the market are far from accurate. Thus, of the factors affecting demand, many cannot be predicted far enough in advance to remove risk from the producers and merchants who undertake to supply our needs. For example,

[3] For further discussion of market news see Chap. XVIII.

[4] Thus it seems unquestionable that our recurring crises arise fundamentally out of a lack of information of the market on the part of large numbers of business men, and commercial crises are relatively modern phenomena. It may be that we shall eventually reach a condition where our knowledge of the market will be sufficient to eliminate such phenomena entirely; but it is doubtful whether that will occur until industrial change becomes less rapid than it is today. See W. C. Mitchell, *Business Cycles* (1913) and *The Business Cycle* (1921), a reprint of articles published in the *New York Evening Post.*

natural causes which affect the market are very important, but they are not predictable with any degree of certainty. A cold winter causes a fuel shortage because demand is greater, and transportation may be tied up; a warm winter means a smaller demand. A cold spring reduces the demand for seasonable clothes and foods. Again, the uncertainty of human desire makes a correct anticipation of the market difficult. A "buyers' strike" may develop which will cause a decline in the demand for all kinds of goods, or it may be directed at specific commodities—as some of the attempts of women's organizations to prevent the purchase of high-priced butter and eggs during the winter months. But this difficulty is particularly important in the sale of style goods. Styles may be incorrectly forecasted or popular styles may decline in favor more rapidly than was anticipated. Finally, the sales efforts of some competing firm may prove to be so effective that they divert demand from other producers.

On the side of supply, two very important factors are commonly difficult to forecast. One of these is the volume of goods which competing producers are going to have for sale. This is particularly difficult to forecast in a small scale industry, such as agriculture. A large crop of cotton may lead to a general understanding that a smaller crop should be produced, but no one could be certain until after planting that the suggestion would be generally observed. The second factor applies particularly to farm products: the volume of production is in a great degree beyond human control, for the action of natural forces in determining the amount and the quality of a crop cannot be accurately predicted.

Since many market risks cannot be avoided, they must be borne by someone. But they may often be shifted from the shoulders of individual entrepreneurs by means of contracts, or divided among them by means of insurance.

The Contract Shifts Risk.—Risks are commonly shifted by contracts of purchase and sale. An illustration of this method

of shifting risk can be taken from the building industry.[5] A corporation desires to construct an office building. After it has decided upon the plans, it may call for tenders from contractors. The contractors make their estimates on the basis of their knowledge of the construction business, and of such factors as the cost of materials, the conditions of the labor market, and the time of year. Then, when the contract is let, the successful contractor, probably on the basis of previous understandings on which he has based his original estimate, may proceed immediately to let sub-contracts for materials and for the construction of certain parts of the building. He contracts to buy cement, sand, stone, and steel, with which to construct the reënforced concrete parts of the building; he contracts for the plumbing and the wiring with other contractors, who in turn contract for the materials they will use. In this way the original contractor avoids all risk to himself save that arising out of the possible failure of some of those with whom he has contracted to meet their obligations, and those which arise out of incorrect estimates he may have made regarding the time of constructing his own part of the job, and concerning his own expenses for labor, materials, and management.[6]

Contracting Minimizes Total Risk.—Risk is shifted in such instances; but it is also minimized. Each one with whom contracts are made is supposedly an expert in his special field. Expert knowledge of the market insures, consequently, that materials will be bought under the most favorable circumstances. This enables each specialist to offer a price that is

[5] See also pp. 101–102.

[6] In times when deliveries are uncertain, and prices and wages are tending to increase rapidly, contractors are often unwilling to contract to deliver at a stipulated price. Under such circumstances they may shift the risk upon the party desiring the building by agreeing to construct it at cost plus an agreed lump sum, or for a certain percentage of cost. The cost-plus contracts with the government during the World War arose in part out of such conditions.

lower than that which the general contractor would have based his estimates on had he himself been forced to take the entire risk. Knowledge of the various markets involved in the construction of the building is very much greater under these circumstances than it would be if the original contractor should forecast all the markets and bear all the risk. Consequently, the total risk is less. Furthermore, the averaging of risks by those who contract reduces the danger from a failure to anticipate adequately future conditions in a particular case. This is especially true of those who provide materials. They know that there will be losses on an order now and then but that there will be greater profits on other orders than they had anticipated. In a competitive business, consequently, prices will be quoted that are lower than they could otherwise be.

Similar examples are found in merchandising. The manufacturer who has sold his output for a year in advance has removed risk on the demand side of his market. If he contracts for raw materials he has removed risk on the side of supply.[7] The farmer who sells his crop before it is harvested, or even before it is planted, has removed risk on the demand side. Those who make such contracts may forego the chance of larger profits from a market offering higher prices at the time they are called on to deliver, but they also remove the risk from a falling market.

Middlemen and Market Risk.—It has been shown in earlier chapters that middlemen perform an important service in bearing market risks. Raw material merchants buy directly from producers, frequently before contracting for resale. Merchants are very important in the marketing of farm products. Most agricultural products are ready for market in great quantities during short seasons, and the function of carrying them over so that they may be consumed uniformly

[7] This is, of course, on the assumption that contracts will be fulfilled, and without recourse to the courts.

throughout the year is performed in large measure by wholesale merchants. Manufacturers and other merchants sometimes contract with these merchants for materials not yet in their possession, so that their risks arise from both the supply and demand sides of the market. Merchants who wholesale manufactured products commonly buy, or contract to buy, goods before they are sold to retailers, and in other cases contract to sell to retailers before they have the goods. Finally, retailers contract for and stock goods which consumers have not ordered. The merchant is thus important in making it possible for producer and consumer alike to shift risk. As a specialist in distribution with an expert knowledge of his markets he is peculiarly fitted to do this.

The Residual Risk.—But risk which is shifted must be borne by some one. The manufacturer and the wholesale merchant may shift a large element of risk by offsetting contracts to sell by contracts to buy, and *vice versa*. But the "original" producer of raw materials and foods and the retail distributor can seldom do so. The farmer, for example, normally produces in anticipation of demand. Only in rare instances has he contracted to sell before production begins. At the other end of the distributive system the retailer can seldom shift the risk he bears. He buys in anticipation of consumer demand. If that demand fails to materialize he must suffer loss.

Organized Dealing in "Futures."—The shifting of risk by means of the purchase and sale of contracts for future delivery is so important that the future markets in some trades center in organized exchanges which facilitate and control transactions of this kind. Exchanges have become very useful in the market for certain staple raw materials, particularly grain and cotton.

These organized exchanges afford a mechanism widely used in shifting market risks. The principal organization features of the ordinary exchange may be briefly summarized. The

object of the organization is to facilitate the market activities of its members. It does not buy or sell products as an organization. But it provides a place in which trading can be carried on. Some exchanges are formed to regulate and facilitate dealings in a wide variety of merchandise, but others confine their activities to a narrow range of products or even to a single one. Examples of the first class are the Boston and New York produce exchanges and the Chicago Mercantile Exchange. The Chicago Board of Trade and the Minneapolis Chamber of Commerce are examples of those in which dealing is confined to a few products, chiefly grains. The New Orleans and New York cotton exchanges are confined to trading in a single commodity. Many exchanges, however, do not provide for future trading.

The chief functions of exchanges as they relate to trading in contracts for future delivery ("futures") are:

1. To provide a trading place.
2. To determine who may be members and who may use the exchange.
3. To regulate business dealings.
4. To establish uniform grades for products and a system of inspection.
5. To assist in settling disputes.
6. To acquire and disseminate market news.[8]

Shifting Risk through Hedging: Terminal Elevators.— That a trader may gain or lose as a result of transactions on the exchange is evident without illustration. But that loss

[8] For more detailed descriptions of the organized exchanges the reader is referred to any of the following: H. C. Emery, *Speculation on the Stock and Produce Exchanges of the United States,* Columbia University Studies in History, Economics, and Public Law, Vol. VII (1896); H. H. Brace, *The Value of Organized Speculation* (1913); James E. Boyle, *Speculation and the Chicago Board of Trade* (1920); L. D. H. Weld, *The Marketing of Farm Products* (1915); *Report of the Federal Trade Commission on the Grain Trade* (1920), Vol. V.

may be avoided by operating on the future market is not always realized. This is accomplished through what is called "hedging." Hedging involves contracting to purchase or sell in the future market at the same time that a regular business transaction of an opposite nature is started, which is also to culminate in the future. That is, a purchase of goods to be sold later is offset by a sale of goods for future delivery to be purchased later in the "future" market, or, *vice versa*, a sale is offset by a purchase. This is done on the assumption that prices in the cash and future markets tend to move together. Hedging is not confined to the exchange organized for future dealings. It is simply facilitated thereby.

One of the most important examples of hedging is found in the operations of the terminal elevator companies of the grain trade. These merchants buy grain as it comes from the country districts during the fall and hold it over until it is wanted by the mills or by other buyers. Since millions of dollars' worth of grain are handled in this way by a single dealer, it is evident that a very small change in price might result in enormous loss or even bankruptcy.[9] To take this chance the elevator company would be forced to pay less for the grain in the first place, for it could not take the risk of such losses without the opportunity likewise to make large offsetting profits. The existence of a future market for wheat, however, through the system of hedging, enables the elevator to protect itself against just such losses. For wheat bought on the cash market can be immediately hedged by making a sale on the exchange for future delivery. This reduces the likelihood of loss, and so the elevator can safely pay a higher price for the grain it stores. The elevator's profit is the difference between the price paid for the grain, and the future price at which the hedging sale was made, after deductions are made for the cost of carrying the wheat, interest on plant,

[9] Many single elevators have storage room for more than a million bushels, and some of the grain companies own several elevators.

insurance, organization expenses, and so on. If the cash price is too high at a given time as compared with the future price, it is evident that the terminal dealers will not find such transactions profitable.[10]

Contracting for Future Delivery.—A few illustrations of the way in which such protection operates will assist the discussion. In each of the illustrations it has been assumed that the cost of carrying the grain from September to May plus a reasonable profit is 5 cents. It is also assumed that the grain originally purchased was delivered to meet the future contract to deliver. But the elevator need not, as a matter of fact, and usually does not, hold the cash grain it buys to make delivery. This will be shown later. But it makes the later illustrations more easily understood to assume at this point in the discussion that actual delivery of the original grain is made. When that is done, however, the transaction is really no different from the contracting method previously described.

CASE 1

Bought cash wheat September 10 at $1.50. Sold September 10 for May delivery at	$1.55
May price at which wheat could have been sold on the cash market had the elevator not sold on September 10	1.55
Loss or gain, without future contract	$0.00

CASE 2

Bought cash wheat September 10 at $1.50. Sold September 10 for May delivery at	$1.55
May price at which wheat could have been sold on the cash market had the elevator not sold on September 10	1.65
Profit foregone through future contract	$0.10

[10] See, however, the *Report of the Federal Trade Commission on Wheat Prices for the 1920 Crop* (Dec. 13, 1920), pp. 52–59, where hedging with the future price of grain below the cash price, and fluctuating rapidly and within a wide range, is described. See also pp. 370–371

CASE 3

Bought cash wheat September 10 at $1.50. Sold September 10 for May delivery at	$1.55
May price at which wheat would have been sold on the cash market had the elevator not sold on September 10	1.05
Loss avoided through future contract	$0.50

Trade and Speculative Profit.—To understand the advantages that arise from transactions of this kind it is essential to distinguish between what is called "trade profit" and "speculative profit." [11] The former is the profit which a merchant expects to get for performing his part of marketing. Thus, the terminal grain dealer's service is to hold grain over from periods of abundant production for use in periods of scarcity. The trade profit of the dealer who hedges arises out of the difference between the price at which cash grain is bought on a given day and the price at which future grain is sold on that day.[12] Because the price of grain may fall before he sells his grain, the dealer hedges. His trade profit is thereby protected. He foregoes, however, the opportunity of making a speculative profit which would arise from a favorable price change. The manufacturer, likewise, who fears loss because of price changes may protect his manufacturing profit by dealing in future contracts.[13]

In the illustrations given these situations can be traced. In every case, the terminal elevator bought wheat at $1.50 and immediately sold it at $1.55 for future delivery. The

[11] See S. S. Huebner, "The Functions of Produce Exchanges," in the *Annals of the American Academy of Political and Social Sciences,* Vol. XXXVIII (1911), pp. 342 ff.

[12] But see p. 370.

[13] See the statement of F. M. Crosby before the Committee on Agriculture, House of Representatives. Jan., 1921. This can be found in *Futures Trading,* a pamphlet published by the Chicago Board of Trade, pp. 29–49.

profit from such transactions arises from the fact that the cost of carrying the grain from September until delivery is due in May will be less than the margin between the cash and future prices at which the elevator bought and sold. In the first case, hedging was unnecessary, for when May came the cash price was $1.55, the price the dealer had anticipated as necessary to net him a profit. In the second case, a speculative gain of 10 cents was lost as a result of hedging. For although the cash price was $1.65 the dealer's grain had been sold at $1.55. But in the last case the cash price had declined to $1.05. If the elevator had not hedged, it would have lost 50 cents a bushel in addition to the cost of carrying the grain. It is to avoid such losses as this that the hedge is used.

The Country Elevator Hedges.—The country elevator may likewise hedge. Some time always elapses before grain can reach the market. Furthermore, the elevator may wish to hold it, or may be unable to get cars in which to ship it. Whatever the cause, if time must elapse between purchase and sale of grain, there is danger of loss.[14] When the grain is finally sold, the country elevator owner has no more need for the hedging sale, since his own grain is sold. But until he cancels this hedging sale, he bears the risk of a rise in price on the grain he must purchase to meet his contract when it is due.[15] To avoid that risk his representative on the exchange purchases the same amount of wheat for delivery at the date

[14] It is by no means the universal practice of country elevators to hedge. And elevators may hedge only a part of their purchases, and speculate with the others. Often grain is sold as soon as it is purchased. But the need to hedge is not eliminated. It is simply shifted to the new buyer who then bears the market risk. For discussion of the prevalence of hedging among country elevators see the *Report of the Federal Trade Commission on the Grain Trade* (1920), Vol. I, pp. 213–214.

[15] Delivery will not be due on the future sale until the future month in which the contract comes due arrives. The grain in the elevator's hands is, however, commonly sold before that time arrives.

his future sale is due.[16] An illustration of the normal situation will make this clear. The order in which the transactions occur is shown by the numbers in parentheses.

Purchases	*Sales*
(1) Bought cash wheat September 30 at $1.50	(2) Sold for December delivery September 30 at.$1.52
(4) Bought December wheat October 10 at 1.52	(3) Sold cash wheat October 10 at 1.50
Total purchases.....$3.02	Total sales $3.02

The dealer buys grain when the price in the central market is $1.50 and hedges by selling for future delivery, say December wheat at $1.52. In a few days his grain is at the market, and it may be that the same prices prevail. In that case he can buy in his hedge at the same future rate and sell his grain at the same cash rate which prevailed when he made the original transactions.[17] If prices have fluctuated in the meantime, however, and the price of cash grain has gone down, the actual grain must be sold at the lower cash price. But, since future prices and cash prices normally vary in the same direction, he can buy in his future at the lower price likely to prevail for futures and so maintain his profit. It is such a contingency which is hedged against. In other words, nothing is made or lost on the future transactions.[18] That is the aim, for the shipper's profit is made from his trading activities

[16] An operation of this kind is fully described, *op. cit.*, pp. 208–213.

[17] As the central market prices only are used in the illustration no profit to the country merchant is shown. But the price at which he buys from the farmer is normally less than the cash price in the central market, in this case $1.50, by the cost of handling and shipping plus his profit.

[18] Some expense is involved, of course, but it is principally the brokerage fee paid the elevator's central market representative for carrying out the hedging operations on the exchange. There is also danger of a change in the spread between the cash and future price.

at the country market. A transaction carried out under these conditions is shown below.[19]

Purchases		*Sales*	
(1) Bought cash wheat September 30 at	$1.50	(2) Sold for December delivery September 30 at	$1.52
(4) Bought December wheat October 10 at	1.42	(3) Sold cash wheat October 10 at	1.40
Total purchases	$2.92	Total sales	$2.92

Manufacturers May Hedge.—Hedging is also practiced by manufacturers. The miller may buy wheat in September to manufacture into flour to be ready for sale in April. If at the time he buys the grain he can sell the flour for April delivery, the contract of sale will assure that profit will result from his manufacturing operations, assuming that he sold at a price which would net a profit on the milling operations. Again, he may sell flour for future delivery, estimating the costs on existing market prices. He can then go into the market at the same time and buy wheat for future delivery. In either of these cases the profits are protected: in the first, against a fall in the price of flour; in the second, against a rise in the price of wheat.

But if the miller buys wheat in September to manufacture into flour and cannot sell it for future delivery,[20] or if he sells flour for future delivery and has not purchased the wheat, he may hedge in the future market by purchasing wheat for

[19] The terminal elevator, also, usually sells its grain and buys in its hedges before the future contract matures.

[20] This is the usual situation early in the crop year. In this country, for example, grain moves east from the growing areas. As it passes through various milling centers the mills, or merchants, must purchase enough grain to meet future needs—when grain is less plentiful. If mills wish to be assured of grain with particular characteristics they must buy early or they may be unable to purchase it later, except at a high premium. Because of these facts most mills do buy early, and possess a large storage capacity.

future delivery. Generally speaking, the price of flour follows the price of wheat, so that by the sale or purchase of wheat for future delivery on the basis of existing prices, any important changes in the price of flour can be hedged against. If the prices of flour and wheat go down in the meantime, a loss will result to the miller who has not sold his flour, because the wheat he bought at a higher price will have to be sold as flour at the reduced price. If, however, when wheat was bought in the first place a sale of wheat was made for this future date, the grain to make the delivery could now be bought at a lower price. But it would be delivered at the higher price at which the future was originally sold. The grain on this transaction compensates for the loss on the wheat made into flour. When the miller sells flour but does not possess the wheat he may protect himself by buying wheat for future delivery.[21] By these transactions loss is minimized. But similarly, of course, any speculative gain that might have resulted from the original purchases or sales will likewise be eliminated. In other words, the miller will make only his manufacturing profit; no speculative profit or loss of importance will result.

Cotton manufacturers sometimes buy cotton from merchants before the crop has matured, and the merchant may in turn buy it from other dealers, simply taking a trade profit for his activity in caring for the manufacturer while shifting the actual speculation to the other dealer. And manufacturers in a number of lines may to some degree avoid risks in their market by buying and selling for future delivery raw materials which they plan to use.

Other Benefits from Hedging.—Even the farmer benefits greatly from hedging, although he does not usually take an

[21] The miller will probably not use the actual wheat purchased, for it may not prove to be of the quality desired. He will go into the market and get the quality he wishes and sell the future previously purchased. The loss or gain on the one transaction thus tends to counteract the loss or gain on the other.

active part in it.[22] It is evident that without hedging, grain, for example, could not be dumped on the market by the farmer in so short a time as it is without enormous risks being run by those who buy it. When buyers cannot adequately hedge against price declines, they have to discount the possible loss from price changes in order to cover the larger risk they bear. They cannot bear the risks without a wide margin between the price they pay the grower and the price which prevails in their selling market.

Financing is rendered safer when crops can be hedged. Bankers hesitate to finance speculative undertakings and consequently will not loan a large percentage of the present market value on unhedged crops. Bankers in central markets in particular often require merchants to whom they loan to hedge their transactions when that is possible.[23]

All Risk is not Eliminated.—It must not be assumed, however, that hedging removes all danger of loss. As the delivery month approaches the tendency is for the cash price and the future price for that month to approach each other. In other words the "spread" between the cash price and the future

[22] Boyle states that in August, 1919, when the price of corn began to fall many large farmers, assured of their crop, sold it for future delivery. In this way they protected themselves against any further drop in price which might take place before their own crop was harvested. See J. E. Boyle, *Speculation and the Chicago Board of Trade*, p. 36.

[23] "The millers and the grain men, buying . much larger quantities of grain than they require for their immediate purposes, are compelled to borrow money entirely out of all proportion to the amount of capital which they have invested in their business. These loans are sometimes secured by warehouse receipts for grain, but as the price of grain may decline very sharply and suddenly, the conservative banker cannot depend entirely upon the grain as security, but must insist that the borrower hedge his purchases, either through the sale of flour or the selling of futures on one of the grain exchanges, thus insuring both the borrower and the banker against severe fluctuations in the value of the grain." This is a paragraph from a letter written by Mr. F. O. Wetmore, President of the First National Bank of Chicago, and printed for the Chicago Board of Trade.

price tends to narrow. Now when the hedging transaction compels the operator to go into the market to buy or sell, a slight variation in this spread may cause him to lose or gain, as the case may be. This can be illustrated in the case of the country elevator. Suppose it buys on a $1.50 basis and sells its future on a $1.57 basis, and that when the wheat gets to market the cash price has gone up to $1.53 and the future to

Purchases		*Sales*	
(1) Bought cash wheat September 30 at	$1.50	(2) Sold May wheat September 30 at	$1.57
(4) Bought May wheat October 30 at	1.60	(3) Sold cash wheat October 30 at	1.53
Total	$3.10	Total	$3.10
		Gain or Loss	$ .00

$1.60. No gain or loss is evident. But suppose that in the meantime the spread narrows; it is then evident that, as a result, a gain has accrued. This is, of course, the normal

Purchases		*Sales*	
(1) Bought cash wheat September 30 at	$1.50	(2) Sold May wheat September 30 at	$1.57
(4) Bought May wheat October 30 at	1.56	(3) Sold cash wheat October 30 at	1.50
Total	$3.06	Total	$3.07
		Gain	$ .01

result, since cash and future prices tend to converge as future months draw nearer. Although the change in the spread would theoretically be small in the short period of time normally elapsing before the grain reaches the market, it may actually be very great, and may either increase or decrease. Had the spread widened a loss would have resulted, as is shown on page 372. But such losses are usually relatively small, and unless prices are greatly "out of line" they are not to be

Purchases		*Sales*	
(1) Bought cash wheat September 30 at	$1.50	(2) Sold May wheat September 30 at	$1.57
(4) Bought May wheat October 30 at	1.58	(3) Sold cash wheat October 30 at	1.50
Total	$3.08	Total	$3.07
		Loss	$ .01

compared with the risk of loss through changes in prices when no hedge is made.[24] Terminal elevators sometimes increase their profit by buying in their hedge at times when the spread narrows more than is normal. This will increase their profits, because, as it will be remembered, the spread at the time they bought cash wheat and sold it for future delivery was enough to cover the costs of carrying it in addition to some profit. And so, if the spread at the time of sale has narrowed more than the normal amount, the profit is increased by so much. They can buy again when the spread becomes normal.

Speculation.—Hedging is most successfully carried on in the sale of products which are traded upon exchanges organized for future dealing. On such markets the play of demand and supply tends to keep the spreads between markets and between present and future prices normal, that is, at an amount just sufficient to cover the cost of carrying the product to the future time, or from market to market. It seems, furthermore, that hedging depends for its greatest usefulness upon pure speculation, that is, on buying and selling which are done only for the purpose of making a speculative as opposed to a trade profit. It is asserted that such speculation on the exchanges cannot be prohibited without making impossible the most efficient hedging. There is much difficulty, for example, in learning who is speculating. In a given trade both parties may be speculat-

[24] During the spring of 1920, however, largely because of transportation congestion, the cash price was often higher than the future price, and delivery was so uncertain that hedging could not be so readily and safely indulged in. See *Report of the Federal Trade Commission on Wheat Prices for the 1920 Crop*, pp. 52–59.

ing, or only one may be speculating, or neither may be speculating. Furthermore, if speculative trading were prohibited it is likely that the future market would be far less efficient than it is now. For seldom do the desires of "real" buyers and sellers coincide. Thus terminal elevators, which are "legitimate" sellers, might be selling heavily at certain seasons, whereas millers, who are "legitimate" buyers, are assumed to buy more or less uniformly throughout the year.[25] A large part of the grain crop is sold by growers in the fall. And if there were no speculators the natural tendency would be for prices to drop very low at that time.[26] Buyers would be unwilling, furthermore, to buy the grain without taking out a larger margin than they do. But when there are speculators in the market there is a chance to hedge. If prices tend to decline, someone begins to buy as a speculation. Such buying tends to check the decline, and thereby to steady the price, unless the judgment of an effective number of traders indicates that the price is still higher than conditions warrant. If prices go up, those who have been holding to sell at a higher price begin to sell and the rise is checked. If prices go down and speculators truly anticipate an advance, the purchases of speculators tend to increase prices and so to curtail present consumption, thus leaving a larger supply for the future.[27] But if the supply is large the action of speculators in selling or in keeping out of the market forces prices

[25] They do not appear to do so, however, if we may judge from the great variations in their weekly outputs. See James E. Boyle, *The Law of Supply and Demand and the Wheat Market* (1921), p. 34.

[26] It is commonly assumed that grain prices are depressed in the fall, but impartial studies do not entirely bear out that assumption. See, for example, J. E. Pope, "Can the Farmer Realize Higher Prices for His Crops by Holding Them?" *Quarterly Journal of Economics,* Vol. XXX (1916), pp. 805–831.

[27] Another type of speculation arises from watching prices in all markets, and involves the purchase and sale of merchandise in markets which are not "in line." This tends to bring them back into line and so to keep the national and international markets "in line."

down. In this manner consumption is encouraged and a glut in the market at a later time is avoided.

Effect on Prices.—It is often assumed that because grain and other products dealt in on the exchanges change hands many times there results a great deal of duplication of effort and of useless handling.[28] It is further assumed, sometimes, that "everyone takes out a profit." But a consideration of the nature of future trading will show that this assumption is false. There is no direct cost over the brokerage fee, now one-quarter cent per bushel on the Chicago Board of Trade. Many transactions are offset by other transactions and are canceled through the machinery of the exchanges. In such cases the actual transfer of title does not take place. Delivery consists in the delivery of a warehouse receipt. Consequently, physical handling does not occur unless a real manufacturing or trade need causes the removal of the product from warehouse to factory, or from one city to another. Most of the future transactions simply change the ownership of the grain. Furthermore, in regard to the second point, prices cannot be definitely shifted up or down for any period of time as a result of the activities on the exchange. For the factors that ultimately determine the price of the product rest on fundamental conditions of demand and supply outside the exchange itself. The average speculative purchase or sale on the exchange is based on the estimated trend of prices and of itself has no more

[28] The Federal Trade Commission estimates that the average annual volume of future trading in the principal cereals since 1884 has ranged from 16,000,000,000 to 23,600,000,000 bushels. Most of these sales were on the Chicago Board of Trade. In recent years the average crop of wheat, the principal grain sold on future contracts, has ranged from two-thirds to a billion bushels per annum, and the corn crop has been around one billion. In view of the increased size of the crops (the wheat crop was 498,550,000 bushels in 1880 and 1,025,801,000 in 1915), it is evident that future trading is relatively less important than formerly. Thus, for the period 1884–1888 the average annual future sales were 23,600,000,000 bushels; for 1914–1918 they were 19,400,000,000 bushels. See *Report of the Federal Trade Commission on the Grain Trade* (1920), Vol. V, p. 42.

than a temporary effect thereon. If many sales of a given lot of grain occur on a rising market, it is true that each successive seller will make a speculative profit. But if the owner of another lot of grain held it until the peak was reached and then sold, he would reap the full profit which was divided among the several owners of the first lot. The effect in the last case, furthermore, would be to force the price up—since grain was held off the market—whereas the effect of the several successive sales in the former case might check the rise, because many buyers would have purchased at the lower prices. As prices rose, consequently, the buying side would be less important and less prone to become fearful lest they be unable to obtain supplies. And so less pressure would be exerted on the buying side.

The case is made more evident when a falling market is considered. Then each successive seller takes a loss, not a profit. The fact, besides, that there is a constant market for futures enables a holder to sell quickly on a decline and so to shift the risk. This makes it possible to prevent large individual losses.

Evils of Speculation.—No discussion of speculation is complete without mention of the recognized evils which accompany it.[29] In brief, the commonly recognized evils are:

1. Trading by inexperienced persons.
2. Trading with insufficient capital.
3. Manipulation of prices.

(1) Trading by inexperienced persons usually brings unfortunate consequences to them. Their lack of knowledge keeps

[29] The reader is referred to the special treatises mentioned on p. 362 for detailed discussion of these points. It should be remembered that these evils of speculation are true of all speculation. They tend to be minimized on organized exchanges—because rules of the exchange are made to reduce them. On the other hand, some contend that the presence of an exchange leads many people to speculate who would not otherwise do so.

them from forecasting the market properly, and in the end generally leads to heavy losses which they are unable to recoup. But such trading may have an unfortunate effect on the market, as the transactions of the inexperienced "lamb" who does not properly forecast the market may force the price away from the normal trend.

(2) The danger from trading on inadequate capital lies in the loss it may cause innocent traders who have made future contracts with a defaulting party. If, for example, a speculator has sold for future delivery and cannot deliver because prices have risen above his ability to buy, he may cause failure to other persons who had depended on that trade. In many organized exchanges this danger is guarded against by forcing traders to keep a deposit with the exchange, which must be kept large enough to cover any differences between the price at which they have bargained to deliver or to accept futures and the current price of the futures in the market. Individual brokers may also, in the absence of compulsion by the exchange, call on traders whom they represent to protect their transactions by margins.[30]

(3) There are two common means of manipulating a future market. One is to send out false news of market conditions. The other is to carry on operations opposed to the correct trend of the market. By such means it is hoped to stampede the market in the wrong direction so that when the normal forces do begin to function the manipulators can gain a larger profit. For example, by selling, prices may be forced down. If the normal trend is upward, the manipulators may buy at the lower price and hold for the high price which follows. Again, with many persons "short" in the market, i. e., having sold for future delivery goods they have not yet purchased, a large part of the available supply may be "cornered," i. e., held by one person or a small group who will not sell, so that the "shorts"

[30] The various means by which exchanges and individual traders guard against this danger are described in the *Report of the Federal Trade Commission on the Grain Trade,* Vol. V, pp. 155–167, 229–232.

will have to pay a high price to those who control the supply in order to get goods with which to meet their contracts.[31]

The problem of organized speculation is to remove these evils and yet to keep the benefits of the system. The danger of regulation is that in eliminating the evils the benefits will be lost. Much has been done, nevertheless, by exchanges to reduce these evils, and much is being done. Frequent legislative investigations and propaganda against the exchanges have had a salutary effect. Many of the proposals for abolishing or regulating the exchanges are of themselves impractical and undesirable. But they have caused the exchanges to revise their rules, when that is feasible, as well as to bring pressure on individual members to curtail obnoxious practices.

Insurance.—Other risks which are encountered in the marketing of merchandise were mentioned earlier in this chapter. An important means of avoiding many of those risks is through insurance. Insurance does not eliminate risk. It produces an averaging of risks. He who suffers a loss does not bear it in its entirety; a large number coöperate in carrying it. Each pays a proportionate share of the amount which will cover the losses likely to occur in the whole group. Only a few will lose, but those few are protected against excessive loss. Since any one of the group may suffer loss, each is willing to pay into the common fund (the insurance company) to avoid loss in case he should be one of those to suffer. The main effect of insurance is, then, to relieve those insured from a part of the risk burden they otherwise bear alone, a privilege for which they are willing to pay. Insurance is very important to small producers whose activities are not broad enough or large enough to make their risks relatively constant. Thus a retail dealer or a small factory may lose everything through a fire or flood, whereas a great combination with many buildings and plants in scattered parts of a country is not likely to suffer many such losses in any given

[31] This has been rendered practically impossible by the Chicago Board of Trade and by other large grain exchanges, *op. cit.*, pp. 175–182.

time. Its danger of excessive loss is relatively much lighter. Both individual and society would suffer if the small but efficient merchant or manufacturer were left destitute from an unforeseen catastrophe. But through insurance he is saved from such a fate, and may return to his business. Among the risks which may be insured against are the following: fire, cyclone, death, accident, disease, burglary, violation of trust, and bad debts.

Insurance is of importance to all who are engaged in marketing. It is an important factor in eliminating uncertainty, and so in making the market machinery perform more smoothly and at a reduced cost. This is well illustrated in connection with financing. When a bank makes a loan on combustible merchandise in storage or in transit, it usually insists that the merchandise be insured against loss from fire. Otherwise the risk to the owner of the goods, and hence to the bank which has loaned him money, is too great to warrant a loan. When goods are shipped by water the dangers of loss at sea are provided for by means of marine insurance.[32] By means of insurance, likewise, risk of loss from bad debts, theft, and defalcation may be guarded against. All of this tends to remove uncertainty and so to reduce the ultimate cost of marketing.

Conclusion.—Although some risks can be insured and others can be hedged, there are many business risks which have to be borne by business men (entrepreneurs) which cannot be profitably shifted. In directing industry, the entrepreneur borrows capital, employs labor, and buys materials. He agrees to pay for all of these, whether he is able to sell the resulting product or service at a profit to himself or not. Of course, those who furnish capital, labor, and materials may also lose, but not until the law is satisfied that the business man has paid to the full extent of his ability.[33] Just so long as he is

[32] A marine insurance certificate is one of the documents which, along with the bill of lading, accompanies drafts drawn on foreign customers.

[33] The limited liability features of modern business organizations

able to pay, it is the business man who bears the risks of business. He is willing to bear this risk because the expected profit is a sufficient inducement to counteract the chance of loss. Such risk, consequently, as cannot be eliminated or profitably shifted is borne by entrepreneurs. Even risk which is shifted, unless it is offset by a contract of an opposing character, such as the hedge, must be borne by the one to whom it is shifted. In the end all the losses which result from market risks must be borne by some one. But by the means which have been discussed many of these risks are removed or minimized and still others are divided.

modify this to a degree, so far as individual members of a corporation are concerned.

CHAPTER XVIII

MARKET NEWS

I

The significance of adequate market news and of the standardization of products in effective marketing has been suggested from time to time in previous chapters. This and the following chapter include a more thorough consideration of these points. The two subjects are closely related. Each is important in the establishment of market price and in increasing the ease with which the transfer of title can be accomplished. The full usefulness of neither, moreover, is possible without a proper development of the other.

Importance of Market News.—Market news is a pervasive element in marketing. It is the determining factor in establishing market price.[1] If the collection, interpretation, and circulation of market news could be so perfected as to make absolutely accurate prevision possible, market risk would disappear.[2] By minimizing risk, market news makes the problems involved in market finance less difficult of solution; loans can be given and credit extended on sales with greater certainty of normal payments being made, and investment in stocks and in sales campaigns is likewise attended with less risk.

It is assumed by the apologist for the competitive régime that the forces of demand and supply tend constantly toward an equilibrium. But as markets grow in size and complexity, as roundabout methods of production involving months and

[1] See Chap. XXI.

[2] See pp. 356–357.

years of time are more extensively employed, and as the necessary investment in fixed plant increases in relative amount, conditions arise which make it necessary that information concerning demand and supply be carefully collected, interpreted, and dispersed, if this equilibrium is to be in any measure realized. It is the presence of these conditions in modern industry, together with the lack of sufficient market information, that is a frequent cause for individual failure on the part of business men, just as it is a common cause of alternating high and low prices for individual commodities.

Problems Arising from Inadequate News.—An adequate market news service prevents much waste in marketing, waste which is of great importance to the common welfare as well as to those most directly concerned in individual transactions. The most obvious waste from inadequate market news is found in the market for perishable foods, more especially fruits and vegetables. These products are grown by numerous producers, frequently scattered over a large territory, and in widely separated producing areas. If too great a supply reaches a given market, prices will drop, and it may not even pay to market some of it. At best a low price will prevail, and the goods must be sold at this price or shipped on to other markets. This is impossible with the more highly perishable commodities, and great deterioration occurs with many others. The roundabout shipment and sale also cause additional costs to be incurred. And when prices are forced down in the one market, consumers depending on other markets where the surplus might have gone, may be forced to pay high prices because the supply there is small.[3]

Again, knowledge of the nature of even the more stable conditions of demand for perishables is often lacking. Some consuming markets favor white eggs and brown eggs must be sold at a discount. Other markets have the opposite preference. Green asparagus is demanded at some points, white in others. The baskets, crates, and other containers in favor in

[3] This has an important effect on prices and risk. See pp. 57–58.

markets also vary, and a product packaged for one market must sometimes be repackaged or sold at a discount in others.[4]

Market News and Business Policies.—In all industries a knowledge, or a forecast, of future market conditions, as well as of day to day developments, is important. All production is for the future; and, consequently, producers establish production policies on their judgment of future markets; merchants determine purchase policies on their judgment of future markets; and traders on speculative exchanges, likewise, base their transactions on forecasts of the market. The more elastic the demand for a product the greater is the need for a proper estimate, for production must usually begin long before sales are possible, and large stocks must often be accumulated before the market forces are definitely in operation.

The Market Forecast.—A proper forecast of the market for either the immediate or the distant future is dependent in the first instance upon a full knowledge of the pertinent conditions which bear on demand and supply, and on the timeliness with which these facts are ascertained. Then, with the data at hand, the accuracy of the forecast depends upon the skill with which they are interpreted.

Both the volume of products which may reach the market and the intensity of demand become more and more uncertain as forecasts extend further and further into the future. The activities of other producers, changes in technique, weather conditions, general and special business conditions, the reaction of consumers to products and prices—these and many other conditions are variable. They are difficult to determine for the immediate future; and as the time for which they are to be forecasted increases, the difficulty of prediction grows greater.

The speed with which the knowledge of conditions is disseminated to interested parties varies greatly. This is ex-

[4] See G. K. Holmes, "Consumers' Fancies," U. S. Department of Agriculture, *Year Book,* 1904.

tremely important, for those who first possess knowledge of significant conditions thereby gain great advantages.[5] It is on account of the importance of the time element that large business concerns, especially those operating in speculative future markets, often have elaborate agencies for gathering market news, as, for example, leased telegraph wires with which to obtain and distribute the news quickly, and secretly.[6] In contrast with these are the smaller operators, farmers, manufacturers, merchants, and the final consumer, most of whom are almost entirely dependent on outside, and often prejudiced, sources of information.

Interpretation of Market News.—The value of market news depends, finally, not only on the accuracy and completeness with which it is gathered and the speed with which it is disseminated, but also upon the skill with which it is interpreted. No matter how much information is available it is valueless until interpreted; and upon the skill with which he interprets the data at hand depends in large degree the business success of the trader and even of the producer. For

[5] "Of market news, time is the essence. For, in the bargaining process superior knowledge may be secured in two ways; it may be a broader, sounder, more comprehensive knowledge, or it may be an earlier knowledge. As a market becomes more and more thoroughly organized, competition in knowledge tends to be narrowed to securing an earlier knowledge. A marvelously efficient organization has been developed as a result of this sort of rivalry, and has concentrated itself in the organized exchanges. As has been shown already, the activity most frequently associated with organized exchanges is dealing in 'futures,' and to deal intelligently there must be a broad and sound basis of knowledge. The very sensitiveness of exchange prices is due to their immediate response to market news. . . .

"Knowledge of facts, then, that can be judged on a price basis is market information."—C. S. Duncan, *Marketing: Its Problems and Methods* (1920), pp. 206–207.

[6] One member of the Chicago Board of Trade has 23,239 miles of leased lines in its private wire system. See *Report of the Federal Trade Commission on the Grain Trade,* Vol. V, p. 111. Forty-eight other members operated private wires in 1919.—James E. Boyle, *Speculation and the Chicago Board of Trade,* pp. 17, 217–218.

from that interpretation business policies are determined and plans are formulated. Here, wide variations are found among business men. Many depend on rumors and "hunches." But some spend large sums in gathering news and putting it in form so that the executives can most readily and accurately interpret it.[7] Successful speculation, in particular, depends upon prompt and accurate collection and interpretation of market news. But to all business timely news which is quickly and accurately interpreted is essential.

II

Sources of Market News.—Our National Government offers what is by far the largest single source of market information in this country, through the annual and special reports of its many bureaus and departments.[8] Yet another important source of information is the data compiled by business men in their own offices: from material obtained by governmental bodies and other agencies, from the records of the business, and from the experiences of their own staff. Furthermore, special investigations for the purpose of securing information not otherwise available, are now made for business houses by their own staffs or by outside agencies. Somewhat similar to this is the information collected by trade associations from their members. Large banks, likewise, have departments for gathering and interpreting market news which will be of assistance to their officers and clients. Finally, there are private agencies, such as the market reporters of the agricultural markets, representatives of the public press, research departments of educational institutions, and private research and statistical agencies.

[7] See Horace Secrist, *Statistics in Business* (1920); L. D. H. Weld, "A Strong Foundation for Your Advertising," *Printers' Ink*, Jan. 9, 1919, pp. 3–12; C. S. Duncan, *Commercial Research* (1919); J. G. Frederick, *Business Research and Statistics* (1920); and Percival White, *Market Analysis* (1921).

[8] See W. I. Swanson, *Guide to U. S. Government Publications*, Bulletin No. 2, U. S. Bureau of Education (1918).

Dissemination of Market News.—The most familiar medium for the dissemination of market news is the public press. The advertising pages of magazines and newspapers are utilized entirely in giving such information, especially that concerning the supply of specific products and services. Newspapers and trade journals quote the prevailing prices for raw materials and foods—live stock, grain, wool, vegetables, and fruits—for many manufactured products, and for stocks and bonds. News articles give general information of market conditions, and of political, legal, social, and economic considerations bearing thereon. In addition to the newspapers and magazines, some of which are known as "business periodicals," there are over 3,500 trade and agricultural papers in the United States, the chief purpose of which is to gather and circulate market news. The annual and special reports of produce exchanges, chambers of commerce, and trade associations[9] also contain valuable market news.

The mails, the telegraph, and telephone are also used extensively. The sources just mentioned are mainly dependent upon these for collecting and communicating the news which they interpret and circulate. By means of these the news bureaus and telegraph companies, private market reporting agencies, and private wire houses[10] send out data on opening and closing prices on produce exchanges and on stock exchanges; and quotations are sent out daily by commission merchants and wholesale receivers to the country shippers of grain and other produce. Goods are ordered by mail, telegraph, and telephone, and quotations are made by the same means. Private information from salesmen and agents is received through these mediums, and general market information is also sent over the wires and by mail.

Finally, as important a source as any to many business men is market news conveyed by word of mouth—conversation with salesmen and buyers, advice secured from bankers

[9] See the discussion of open price associations, pp. 389–390.

[10] See James E. Boyle, *op. cit.*, pp. 17, 217.

and private research and statistical agencies, talks with business associates, friends, and acquaintances.

News of the Agricultural Market.—In view of its importance and the difficulties involved in its collection perhaps the most complete and accessible information is available concerning the domestic agricultural market. Especially valuable is the work of the Bureau of Markets and Crop Estimates of the United States Department of Agriculture and of the Bureau of the Census of the Department of Commerce.

The purpose of the market reports of the Bureau of Markets and Crop Estimates is "to cover the markets upon every farm commodity which constitutes an important part of the Nation's food and clothing supplies . . . for the express benefit of producers, distributers and consumers." [11] This service has to do principally with current market news—prevailing prices in different markets, amounts shipped from various producing areas to specific markets, current production and available stocks. The crop reports, on the other hand, are primarily important as a means of estimating future conditions of supply—acres planted and the condition of the crops at various times during the growing season.[12] For the year 1921-22 the appropriation for the market news service of this bureau is $601,560. It is proposed to spend this sum according to the following allotments: [13]

Leased wires	$ 67,000
News service on live stock and meats	160,240
News service on fruits and vegetables	248,680
News service on dairy products	68,300
News service on hay, feed and seed	27,780
Transportation service	9,500
Market information (general)	14,860
Bureau administration	5,200
	$601,560

[11] W. A. Wheeler and Frank George, *Know Your Markets* (Separate No. 834, from the U. S. Department of Agriculture, *Yearbook,* 1920, p. 146).

[12] The Bureau of the Census covers this work for the cotton crop.

[13] From a letter from the Bureau.

"The Bureau of Markets has in the United States 73 branch offices located at 46 large market centers, 16 of which are directly connected with the Washington office and with each other by some 4,500 miles of leased telegraph wires. Marketing experts keep in constant touch with market conditions in the field and at consuming centers and at least 15,000 responsible individuals, firms, and railroads—voluntary reporters—render reports to the bureau regularly upon the marketing of farm products. Mimeographed reports are still sent to producers and the trade direct, but by the use of the telegraph and the press and latterly of the wireless these and the other reports sent out by the Bureau of Markets are received by not less than 15,000,000 potential readers." [14]

Other important sources of market information for agricultural products are the daily quotations sent out by telegraph of transactions on produce exchanges, the numerous market reporters [15] and trade journals of local, sectional, and national circulation, the daily papers, the annual reports of produce exchanges, and the reports of the International Institute of Agriculture at Rome.[16]

News of Manufacturers' Markets.—There are as yet no governmental bodies in the United States engaged in gathering market news of manufactured products on anything like the scale on which news of the agricultural market is collected. The work of the Bureau of Foreign and Domestic Commerce in the field of foreign trade will be touched upon later. The Federal Trade Commission is making constant

[14] W. A. Wheeler and Frank George, *op. cit.*, pp. 131–132.

[15] The largest private news agency of the grain trade is Broomhall's. It has representatives throughout the world. The news which it gathers is cleared through the headquarters at Liverpool. See Bruce D. Mudgett, "Current Sources of Information in Produce Markets," *The Annals of the American Academy of Political and Social Science,* Vol. XXXVIII (1911), p. 433. In the produce trade the Urner-Barry Company of New York is perhaps the best known. See L. D. H. Weld, *The Marketing of Farm Products,* pp. 301–304, and the *Report of the Federal Trade Commission on the Wholesale Marketing of Food* (1920), pp. 227–228.

[16] An interesting discussion of the sources of price information available to country elevators will be found in the *Report of the Federal Trade Commission on the Grain Trade* (1920), Vol. I, pp. 175–187.

contributions, and more recently certain bureaus in the Department of Commerce have devoted considerable attention to domestic conditions in the market for manufactured commodities. A start has been made in the *Monthly Survey of Current Business* conducted by the Bureau of the Census, the Bureau of Foreign and Domestic Commerce, and the Bureau of Standards of this Department. The first number was issued in August, 1921. This gives summarized comparative figures of stocks, production, and prices for important commodities, of foreign trade conditions, transportation, retail trade, banking and finance, interest rates, earnings and employment, the cost of living, and other subjects.[17] The Decennial Census reports and the Census of Manufactures, many of the publications of the Bureau of Standards, and the information contained in the *Monthly Review* of the Bureau of Labor Statistics of the Department of Labor, also contain valuable information.[18]

Trade Associations and Trade Papers.—Another important source of information concerning manufactured lines is the work of trade associations and trade papers in gathering and distributing news of trade tendencies, prices, supplies, and demand. It has been estimated that there are several thousand trade associations in the United States securing and circulating market news in one way and another. These associations may be particularly serviceable in industries in

[17] "The general idea is to establish monthly some composite picture of our industries in such form that it will be of practical service in guiding business men in general business situations.

"At the present time [Nov., 1921] . . . the Bureau of Census is acting as a center point for the clearing of statistics from some twenty-five or thirty trade associations as well as from the records of the Bureau of Census, all other Government departments and private and semi-private statistical organizations."—Extracts from a letter from the Department of Commerce.

[18] Other governmental bureaus which collect and disperse important market news are the Weather Bureau, the U. S. Geological Survey (minerals), and the Bureau of Forestry.

which there are many competing firms, all relatively small. For only by coöperative action, or by governmental assistance, can the facts be obtained and the expense of collecting, interpreting, and publishing them be borne.

Open Price Associations.—An interesting development of trade association activities is the "open price association." Under this plan members of the association submit to each other, or more often to the secretary of the association, the prices which they have received for goods sold, or the prices which they have submitted as bids on proposed sales. This information is then sent to the members of the association. The purpose is to give them immediate knowledge of what has transpired in the market.[19] But these associations have sometimes gone further. The secretaries have "interpreted" the data, and suggestions concerning the future trend of prices have been issued. In other cases definite price agreements have been entered into.

The legal status of the open price association has been uncertain, but recent court decisions seem to show that (1) so long as they merely gather and disperse news of what has already happened they are legal.[20] (2) But when they go further and the reports are "interpreted" by the secretary, who recommends harmony of action, it is illegal under the Sherman Act.[21] Since a case involving the first principle

[19] See H. R. Tosdal, "Open Price Associations," *The American Economic Review,* Vol. VII (June, 1917), pp. 331–352; Arthur J. Eddy, *The New Competition* (1912); Emmett H. Naylor, *Trade Associations* (1921), Chaps. VIII, X, XIII, XV–XVIII.

[20] Judge Carpenter of the Federal District Court in the case of the United States vs. the Armstrong Bureau of Related Industries (Dec. 3, 1921), made a comparison between the operations of an exchange in issuing price quotations (which has been held legal) and the acts of this association. "An exchange sends out reports of actual sales. The Armstrong Bureau gave out price-lists. It is difficult to understand any ground for declaring one legal and the other illegal."—From a newspaper report of the decision.

[21] See the decision of the Supreme Court in the case of the United States vs. The American Hardwood Lumber Manufacturers' Association

has not yet come before the Supreme Court, a question still exists as to where the line between the legal and illegal acts will finally be drawn. In the "Hardwood Lumber Case" the Supreme Court drew a distinction which Judge Carpenter did not draw in the "Linseed Oil Case" [22] to the effect that market news distributed by government publications and by exchanges goes to both buyer and seller, whereas the reports of the association go only to the members. But the Court made this as one point and made a separate point of the fact that there was no skilled interpreter of the prices in the case of government publications and exchange quotations whose interpretation might lead to uniform action among "competitors," whereas there was in the case of the lumber association. It is not clear, consequently, whether the fact that the information goes to members alone, in the absence of "interpretation," would be considered legal or illegal.

Important Sources of Foreign Trade News.—The most important statistics of foreign trade are those gathered by the Bureau of Foreign and Domestic Commerce of the Department of Commerce, and published in the *Monthly Summary of Commerce and Finance,* in the *Weekly Commerce Reports,* and in special reports issued from the Bureau. These reports, which are obtained from other governmental departments, as well as by the staff of the Bureau, give comparative figures covering the value, and often the quantity, of imports and exports for each month of the current year, for the corresponding month of the past year, and for preceding years. A complete report of the exports and imports of specific products is included in the annual report *Commerce and Navigation.* This Bureau also issues a weekly paper, *Weekly Commerce Reports,* covering conditions existing in various foreign countries and even giving specific market

(Dec. 19, 1921). This case and the legal status of open price associations are discussed by E. H. Naylor in an article, "The Hardwood Lumber Case," in *Administration,* Vol. 3 (April, 1922), pp. 487–493.

[22] See note 20, p. 389.

opportunities. Special pamphlets are published on market conditions in the sale of particular products and on trade conditions in particular parts of the world. Finally, confidential information of specific trade opportunities is given to accredited manufacturers.

Much of the information which the Bureau of Foreign and Domestic Commerce publishes is received through reports from the members of the consular service, which is attached to the Department of State. There are some 300 United States consular offices throughout the world, one of the main functions of which is to keep in touch with commercial opportunities and business conditions, and to collect information that will be helpful to American business men. The results of their efforts are made available largely through the Bureau.

Some of the large banks and such institutions as the Philadelphia Commercial Museum also gather news of general and specific foreign trade opportunities, and in some cases make special investigations for their clients. Information concerning foreign tariffs can be procured through such private agencies as those mentioned, as well as through the Bureau of Foreign Trade Advisers of the Department of State, the Tariff Commission, the Pan-American Union, and the Bureau of Foreign and Domestic Commerce.

News of General Commodities.—Valuable sources of information about prices of general commodities are the monthly and special reports of the Bureau of Labor Statistics of the Department of Labor. This information is published in the *Monthly Labor Review* and in special reports on wholesale and retail prices. The statistical tables which are included cover prices for the current year as well as for several years past. Unfortunately, these data are usually published some time after the facts are gathered, although such parts as have a news value for periodicals are given out in advance of the regular publication. The new *Survey of Current Business* issued by the Department of Commerce also bids fair to be of great value in circulating news of this kind.

General Market Conditions.—Finally, all business men are interested in what may be called general market news, that is, news which indicates the general conditions which prevail throughout the country and the world—looked at not as a particular market, but as a great complexity of markets. There are certain general sources or "indices" to which business men commonly look.[23] These relate to the conditions that exist in such markets as the following: (1) general business—including building and real estate, iron production, bank clearings, business failures, labor conditions, immigration, crop conditions; (2) financial conditions—including conditions in the money market, foreign trade, gold movements, commodity prices; (3) the investment market—including prices of securities, crop statistics, railroad earnings, and social conditions. Conditions in the steel market are also considered of particular importance in determining the general conditions of industry. Some of these markets are of particular interest to certain groups of business men, some to others. Thus, the first group of markets is believed to show the trend of the general business situation, the second group applies to the money market, and the last group to the investment market. Some statistics, such as stock market prices, banking and building statistics, are used to forecast future conditions; whereas others, such as imports of merchandise, commodity prices, or business failures, are better used to indicate the existing situation, although future tendencies may also be indicated by them.

III

Control of Market News.—Since the activities of producers and traders, and even those of consumers, are guided by their

[23] See R. W. Babson, "Barometric Indices of the Conditions of Trade," *Annals of the American Academy,* Vol. XXXV (1910), pp. 593 ff; also M. T. Copeland, *Business Statistics* (1917), pp. 98–131, and Vol. I of the publications of the Harvard University Committee on Economic Research.

knowledge of the market, it is important that news should be accurate and timely. Prices, otherwise, will not reflect true conditions, and great harm may result to the public, as well as to private traders and producers. The statement that the crops in a particular section are abnormally large or small will commonly have an immediate effect on prices. If the statement is false, prices will be out of line with actual conditions. This will cause unwarranted loss to some and gain to others. Here is a great opportunity for private individuals, by spreading false news, to reap large gains at the expense of others. It is, consequently, important that the information which is dispersed shall be accurate. In "future" markets where even a rumor may cause changes in prices amounting to thousands, or even millions of dollars in the aggregate, it is particularly important that the dissemination of market news be carefully guarded. On the Chicago Board of Trade in order to safeguard the news a very strict control is exercised by the Market Reports Committee over all news issued by members of the Board, and by any others who receive their information through it, i. e., over all individuals and firms over whom it can exercise control. This includes the reports of private wire houses, the private reporting agencies, members' daily market letters, and the reports of telegraph and news ticker companies. The market letters of members are not allowed to forecast the market or to give advice. Market rumors are forbidden.[24]

Large firms can usually afford the expense involved in gathering market news, and those who control a large part of the trade in any particular commodity have through their own records the means of determining market conditions with a fair degree of accuracy. But smaller firms have no such facilities. To meet their needs either associative activity or governmental action is necessary. In this country the former

[24] See the rules of the Board of Trade; also the *Report of the Federal Trade Commission on the Grain Trade,* Vol. V, pp. 68–79, and J. E. Boyle, *op. cit.,* pp. 96–97.

has been rapidly developing among dealers and producers of manufactured products and raw materials other than farm products. And thus far governmental activity has been more concerned with farm products. At present there is a movement toward governmental assistance in gathering news of the manufacturers' market. And in the farm market such large organizations as the California Fruit Growers' Exchange and the new United States Grain Growers Incorporated collect information for themselves.

News Collected and Dispersed by the Government and by Associations.—News gathered by the government and by trade associations is not always so timely as that obtained by large individual firms, so that these are often in possession of essential facts some time before those who depend on the government, trade associations, or other outside agencies. On the other hand, the news gathered by governments and by trade associations is likely to be much more extensive and accurate. This is partly due to the greater resources which may be made available to cover the expense involved, and, sometimes, to the greater spirit of coöperation which is likely to prevail among those with facts to contribute. Finally, the government may, if the public welfare demands, insist on receiving pertinent news.[25]

Wherever there are many small business men engaged in an industry it is essential that some neutral and impartial agency should gather and disperse market news. Private information when collected is commonly only for the limited use of those who gather it, and when published it may be colored by the point of view of the compiling firm. Apparently the great number of both producers and dealers who

[25] The efforts of the Federal Trade Commission to compel business firms to file reports on forms presented by the Commission—a power given by section 6 of the Federal Trade Commission Act—has been halted by temporary injunction in the case of the coal and steel industries. See *Annual Report of the Federal Trade Commission* (1920), pp. 48–52; *ibid.* (1921), pp. 54–56.

are working on a relatively small scale can receive adequate market information only through some governmental agency or through coöperation on a very large scale.[26]

Conclusion.—It may be said, finally, that if the market news were complete, accurate, correctly interpreted, and thoroughly disseminated, demand and supply, in the absence of unforeseen natural conditions or artificial restrictions—such as patents and monopolies, governmental or private—would always balance; and business profits, as a reward for risk-bearing, would be entirely absent. But these conditions are far from realized; and, consequently, producers and dealers face the possibility of gain or loss, high prices or low, according as they are so fortunate or so keen as to possess articles for which the demand is great, or so unfortunate as to possess those for which the demand is small. In the modern market business success depends very largely on the ability of the individual business man to forecast his market properly.

[26] Duncan believes that market news is so important that its collection will ultimately be considered in the light of a public utility. See C. S. Duncan, *Marketing: Its Problems and Methods* (1920), p. 219.

CHAPTER XIX

STANDARDIZATION

Some of the most important problems involved in marketing center about the preparation of products for market. The most important of these is the endeavor to divide merchandise into groups with such common characteristics as have proved to be important in exchange—that is, to standardize them on the basis of quality and size. Closely related to this are the adoption of standard units of measure and of price quotations, and the adoption of standard containers. The purpose of standardization, in so far as it affects marketing, is to prepare goods so that they will best meet the demands of the market, and so that a common standardized nomenclature can be utilized in bringing about an understanding between buyer and seller.[1] The standardization of commodities may be a production activity, or it may be a market activity. But the possibility of standardizing arises from the fact that the products involved have common characteristics. That is, it is determined by the results of production.

Standardization Makes Exchange Easier.—Products which are standardized as to all characteristics considered important

[1] Most of the discussions on marketing have emphasized grading. But the important thing is the standard. Grading is simply a means of dividing products of varying quality and size into lots conforming to certain standards, or it is a means for determining to what standard goods of similar, but as yet unknown, qualities conform. When goods, as produced, are not standardized or when the standard to which they conform is unknown, grading or classification is necessary. But when the production can be sufficiently controlled, grading is unnecessary. See also H. B. Vanderblue, "The Functional Approach to the Study of Marketing," *Journal of Political Economy*, Vol. XXIX (October, 1921), pp. 676–683.

by the buyer can be sold on the basis of sample, grade, description, and symbol.[2] Purchase and sale are thereby greatly simplified. With quantity, size, and quality (material characteristics and performance in use) standardized, price is the only indeterminate factor.

Standards likewise make sale by inspection and sample easier. This is the case because fewer samples need be taken and because these samples conform more closely to the bulk than do samples of unstandardized goods. Consumers tend to insist, furthermore, upon purchasing a standardized product. Because their particular purpose demands a standard product, or because they find it easier to purchase them, buyers will often pay a premium for standardized goods. On account of this premium it pays the seller to standardize when the cost is not too great. The premiums which Washington apples receive over the ungraded product of eastern states, the premium paid for graded wool and the low price at which a "farmer's car" of ungraded potatoes is sold are all cases in point.[3]

Another advantage from standardization is that lots made at different times or by different producers may be mixed together, if all essential characteristics are the same. Orders for future delivery can also be given on the basis of predetermined standards. Financing is likewise rendered less difficult, because the value of uniform lots is more readily determined and because sale can be made with greater ease and on shorter notice than is the case with unstandardized goods. Fluctuations in prices can be more certainly followed and more quickly known. Risk is thus lessened, and so financing is rendered safer and cheaper. The product comes nearer to "financing itself," since it can be more readily used as col-

[2] See pp. 23–27; also H. B. Vanderblue, "The Marketing Function of Advertising," *Advertising and Selling* (June 5, 1920), pp. 16–18.

[3] "Compared with the cost of its performance there is none of the marketing functions which enhances the value of commodities as greatly as this one of grading."—P. T. Cherington, *Elements of Marketing* (1920), p. 74.

lateral security for the loans made to move it to the market. Finally, when standards are known and accepted throughout a large market area, market news of supply, demand, and price reaches its maximum of accuracy and hence its maximum value.[4]

Standardization Aids Physical Supply.—Standardization likewise decreases the difficulties and the costs involved in the transportation and storage of products. Useless parts can be eliminated from a given bulk, leaving only those units which conform to the standards set for the particular purpose to which the product is to be put. Each grade, furthermore, of a standardized product can go more directly to its final place of use. For example, when agricultural products are graded at the producing market it becomes unnecessary, provided the standards are recognized in the trade and the purchasers have faith in the honesty of the grading, to concentrate these products in the warehouses of central market middlemen simply for the purpose of grading.

Bases for Standards.—The basis upon which a standard rests may be (1) a quantity basis, such as those standards of weights and measures, which have been established by the governments of the civilized world; (2) it may be a numerical basis, such as the dozen, gross, ream, etc.; (3) it may be a basis of size and measurement, as with screws, bolts, lumber, shoes, clothing, rugs, and thread; (4) it may be a quality basis—positive quality, as in the case of grain and cotton standards, and chemical contents; negative qualities, as with the pure food and drug laws;[5] (5) it may be a service basis. Service is obviously least amenable to standardization. The average merchandising establishment, retail store or whole-

[4] The relation of standards to farm markets is well developed in L. D. H. Weld, *The Marketing of Farm Products,* pp. 362–364. See also H. Bruce Price, "Grain Standardization," in the *American Economic Review,* Vol. XI (June, 1921), pp. 227–230.

[5] See C. A. Adams, "Industrial Standardization," *Annals of the American Academy of Political and Social Science,* Vol. LXXXII (March, 1919), p. 290.

sale house is nevertheless fundamentally engaged in the sale of service. It is the desire of such firms to establish in the minds of the public which they serve the idea that they are rendering a high standard of service. The service of transportation companies likewise tends to become standardized.[6] The manufacturer, too, frequently tries to convey an impression to the minds of prospects and customers of the high standard of products and service which his house sells. For example, house brands are used in the sale of a "family" of products for the purpose of attaching the reputation of the house to the particular products which bear the brand, i. e., the manufacturer tries to assist the sale of all of his products by impressing upon the minds of consumers, through the house brand, the idea that the standard quality and service which the house stands for is behind every product on which the brand appears. Finally, (6) price may be standardized. The "one price policy" which prevails so largely in our retail stores, and which is coming to be common in the sale of many manufactured products at wholesale, is after all a standardized price; i. e., so far as purchasers are concerned the price is standardized. Each buyer does not need to bargain in order to be sure that he is getting as low a price as other buyers. Public utility rates, likewise, are examples of standardized price.

Standards May Rest on Several Bases.—A standard need not rest on but one basis; it may involve several. Coins, for example, are standardized as to quality and weight; grain is standardized as to weight, moisture content, quality, and color. The standards set may be generally recognized in a given trade, to which all producers conform, and to which all products are compared; such are wheat and cotton grades, thermal units with coal, metal content with steel rails, thread count and quality of thread with cloth. They may be standards set by individual producers which are not directly comparable

[6] The uniform bill of lading, uniform warehouse receipts and service, and the banker's acceptance are also examples of important market standards, and so are the meaning of price quotations—such as f.o.b., c.i.f., etc.—when they become uniform.

to competing products. Such standards are usually represented by trade names and brands. Finally, the standards may be specifications set by buyers or sellers, such as cotton merchants' samples, specifications for machines, and the like. Generally recognized standards are common with production goods, and particularly with raw materials. Individual standards are usual with goods for personal consumption and with equipment.

Responsibility for the Observance of Standards.—It is evident that to realize the greatest advantages from standardization the standards must conform to recognized demands of the market and, of fundamental importance, there must be faith on the part of the buyer and seller in the standards established. This faith may rest upon the fact that an efficient and disinterested official has examined the products and has declared that they conform to a particular standard. The grading of grain by the inspection departments of produce exchanges, and more especially by government officials, is one of the best examples. Other examples of governmental standards are found in the standard container acts, the regulation of weights and measures, the establishment of grain and fruit grades, and of official cotton grades. Such work is carried on by the state and Federal governments. Some of the most important market activities of the Federal Government are those connected with the enforcement of the grain standards act and similar acts, the standard barrel act, and the work of the Bureau of Markets and Crop Estimates, the Bureau of Standards, and the administration of the pure food laws.

In other cases this faith in established standards must arise out of belief in the honesty of the seller who declares the product to be of a certain quality. Confidence of this kind is evidenced in the sale of branded products, such as California fruits and many manufactured products. The precise elements which are standard may be uncertain; but if the product meets one's need, and if he has faith that further purchases of this brand will be up to the standards

of the past, he can buy the product with assurance that it will continue to give the same degree of satisfaction, so long as his personal reaction remains the same. Even in the absence of such faith advantages result from the standardization of products. For the product is easier to inspect, even though lack of faith in the standard makes it undesirable to purchase by description or symbol.

Standards and the Buyer.—Standards are commonly set to accord with the needs of buyers.[7] This is especially true of production goods—materials to be processed.[8] Standards set with the buyer in mind are also important in the case of goods sold for personal consumption. This is due fundamentally to the fact that consumers buy those goods which they have found to suit their needs best. Standardization assumes particular importance when goods are advertised and sold by trade-mark, trade name, or other symbol. These devices attached to a standard product enable the satisfied consumer to buy the same product again, without the need for further experimentation. If the goods do not meet his fancy, it is likewise easy for him to avoid them in the future.

Mass Selling Methods Call for Standardization.—Standardization is likewise important to sellers. This is particularly true of those who utilize mass methods of selling. The use of advertising, for example, in most of its manifestations is dependent upon mass appeals. Mass methods are likewise characteristic of the modern use of salesmen. Because of the large expenditure involved in the use of advertising and personal salesmen, they can be used most economically in the

[7] This is said not to be true of many farm products, especially fruits and vegetables. Laws in fourteen states fixing standards for barrelled apples and six for boxed apples show that these standards were set according to production conditions and not to the needs of buyers. For this reason it has been impossible to fix national standards for these products. (Letter from the U. S. Bureau of Markets and Crop Estimates.)

[8] The importance of this phase of standardization was discussed in Chap. VI.

sale of a large volume of similar products. This is especially true when the unit value is not great. To put it in another way, modern large scale methods of selling, both advertising and the use of salesmen, are too expensive to use, unless they can be employed to sell standardized products.

The Container and Standards.—An important adjunct to the sale of goods standardized by the producer and known to the trade by his name or trade symbol is the container. In this connection the container commonly serves three important purposes: (1) it prevents physical deterioration; (2) it prevents substitution or adulteration of the contents; (3) it serves as a means of carrying marks of identification which aid the consumer in purchasing the product. The identification, furthermore, helps to prevent the substitution of competing goods by supply houses. These uses of the container are particularly important with goods which cannot be made to carry any identifying mark, such as sugar, flour, and liquids. The use of standard containers which are recognized over a wide area makes it possible to place goods in packages as soon as they are ready for market, since they need not be changed to other containers in case they do not go to the market to which they were first expected to be sent. A standard container also standardizes the quantity element in a transaction, since buyers can know, without trial, what quantity a given standard container holds.

Methods of Standardization.—Some products are easily standardized. This is true of most products fashioned by machines—screws, bolts, cloth. Goods of this character are standardized as they come from the machine. Some goods have to be assorted in order to be standardized. This is particularly true of farm products, in which there are sometimes great variations in quality and size. And in order to obtain the benefits of standardization, standards—commonly called grades—have to be established and the goods assorted into lots which conform to these standards. Fruits and vegetables and wool are standardized in this way. In the sale of grains the stand-

ards set are also known as grades. Grains, however, are not conveniently sorted so as to conform to these grades. But since the grain from a single grower or even a particular territory tends to be uniform, sorting is not essential. Quantities in bulk are sampled and the grade of the bulk is determined by inspecting the sample to see to what standard (grade) it conforms.

Advertising and Branding Standardized Goods.—Advertising and branding are important means of selling the standardized products of individual producers.[9] Advertising, or other selling effort, tends to establish in the minds of prospective customers an idea of character and quality. The customer on finding an article that satisfies is enabled to purchase it again, because it has been branded for that very purpose. Branding, consequently, eventually renders the purchase of the ordinary articles of every day consumption relatively easy for the average consumer. True, a great many competing producers are endeavoring to get him to try their product, but in proportion to the great bulk of his purchases changes are few. It has been shown that modern methods of selling would be very costly and often unsuccessful were the products sold not standardized.[10] On the other hand, the economies of large scale standardized production would be impossible were no large market created by the sales force and advertising, and were it not for the additional fact that the good will thus created inheres in the brand and so renders repeat orders less costly to obtain.

Not All Standardized Goods Sold by Description.—The fact that a product has been divided into groups and classified as conforming to certain standards does not mean that sale by

[9] They may also be used in the sale of agricultural specialties by growers' associations—as the California citrus fruit, walnut, and raisin growers, New England cranberry growers—or of classes of manufactured products, such as cement and lumber, in the creation of a demand for which competing manufacturers coöperate.

[10] See P. T. Cherington, *The Elements of Marketing* (1920), Chap. XIV, and H. B. Vanderblue, "The Marketing Function of Advertising," *Advertising and Selling,* June 5, 1920, pp. 16–18.

description thereby becomes possible. Raw materials cannot, as a rule, be so closely standardized as to make this possible. Variations in the natural conditions—soil, moisture, climate—which affect quality and size are too great, and within very wide limits are beyond human control. This is particularly true of farm products.[11] Thus, when wheat is purchased by mills, samples are very closely examined to determine whether the grain is exactly suited to the purpose in hand. There is usually a slight difference in the price paid in the spot market for different lots of grain of the same grade. It is only in the "future" market, i. e., in speculation and hedging, that sales of farm products by description prevail. With manufactured products, on the other hand, much more use of sale by description is often possible. Faith in the integrity of the selling party being assumed, the extent to which sale by description can be made depends upon the extent to which the standards conform to the needs of the purchaser, and on the extent to which the goods conform to the standards set. This conformity is usually much more exact with manufactured products than with those of the farm, forest, and mine.

The Need for Standards.—The extension of universally accepted standards of quality should go far to make marketing more efficient and less costly. Quality is the unknown factor in most mercantile transactions. It must be determined before sale occurs. Standard weights and measures eliminate the difficulties involved in knowing what quantities are exchanged. Buyer and seller can thus come to an immediate agreement on that score; and in case of dispute recourse can be had to an impartial judge in the standard scale or standard measure.[12] The medium of exchange, i. e., price-measure, is

[11] Nevertheless, the growing knowledge on the part of farmers of the importance of raising commodities which meet the market needs is bringing a far greater degree of standardization than formerly existed, and has tended to improve greatly the general quality of the goods produced.

[12] These are not completely standardized in the United States. There are, for instance, forty-three legal bushels by weight (the Winchester

also standardized, so that both buyer and seller know definitely what the terms of sale are to be when a price is agreed upon. But the common lack of standards of quality makes necessary a process of bargaining between buyer and seller which is cumbersome and expensive.

With consumption goods, and particularly with those which are manufactured, this expense is largely borne by the seller —manufacturer or middleman—who endeavors through advertising, salesmanship, and other selling devices to convince the buyer that the quality and characteristics of his product best meet the buyer's needs. In the case of unstandardized products this process of convincing the buyer of the quality of the product must take place every time the goods are resold. This indicates also that in the case of products which are amenable to standardization a grade should be established as near the original source as possible.[13]

If the quality of a product could be definitely known, as the result of an impartial measurement of its quality and of

bushel of quantity, 2150.42 cubic inches, is the one standard), and dishonest weights are frequent. But relatively, at least, the above is true. Hampers, baskets, tin cans and other containers for both farm and manufactured products are far from uniform. Progress is being made, however, by governmental action and by associative effort.

[13] "In fact many dealers as well as shippers insist that instead of having official inspectors at receiving points it would be of more benefit in preventing waste and loss if Federal inspectors were located at all shipping points to inspect the quality, grade, and quantity of all produce shipped. It is claimed that such an inspection system, working with a nationally established plan of standard grades and uniformly recognized sizes of packages, would prevent rejection without just grounds as well as does the present system, and in addition would better protect the dealer who buys f.o.b. loading station. It would also make easier the collection of damages for injury in transit. The exact grade, Nos. 1, 2, or 3, etc., could be marked or stenciled plainly on the package by the inspector. Under such a plan the purchasing dealer would be in a position to know just what he is buying, and eventually all foodstuffs would be sold according to the quality or condition."—*Report of the Federal Trade Commission on the Wholesale Marketing of Food* (1919), p. 82.

its peculiarly favorable or unfavorable characteristics in use, a large part of modern selling effort could be eliminated. Inspection by the buyer would become less arduous; and the mere puffing of one's wares as superior to those of another would then be confined to an endeavor to make the purchaser believe he needs a product with certain characteristics rather than other commodities which will gratify other wants —that he needs, for example, an automobile rather than a yacht, or a $2,500 automobile rather than a $600 one. Once the buyer has decided that question he would be able to determine for himself—on the basis of grades or recognized descriptions of quality—just which product meets his need. From the consumer's point of view it might even be well if he could be left alone in making the whole decision.

What Has Been Done.—Obviously the ideals which have been presented cannot be completely realized. Nevertheless, much that is here suggested is already in operation in the marketing of certain products and much more can be done with advantage.

State and Federal laws have been passed to standardize weights and measures and to bring about greater uniformity therein. Great progress has been made in grading the physical characteristics of commodities. The grading of agricultural products by associative action and by the state and Federal governments is becoming widespread. Standards already established are being employed over wide areas, and more is being done toward the extension of their use.[14] State food and drug departments are analyzing patent medicines, as well as foods, and helping the consumer to know what he is buying and what physical values he is getting for his money. In many lines semi-monopoly has resulted in a limitation of kinds of products put on the market, and that of itself simplifies the consumer's purchasing problem. Trade associations have attempted to establish standards, such for example, as the

[14] See Harold W. Samson, *The March of Standardization,* Separate No. 850, from U. S. Department of Agriculture *Yearbock,* 1920.

meaning of certain terms as applied to mechanical devices, hardwood lumber, colors, fabrics, and the like.

A large number of engineering societies have interested themselves in the establishment of standards. One of the most important of these is the American Society for Testing Materials. It is organized to cover a wide field including "structural timber, steel for all purposes including railway rolling stock, rails, structures, and castings of all kinds, standard magnetic tests of iron and steel, copper for electrical and other purposes, bronze, cement, fire proof materials, road materials, paint, coal." Nearly forty standing committees exist to facilitate this work. In order to coördinate the work of various societies five national engineering societies have organized the American Engineering Standards Committee and the United States Bureau of Standards now covers a wide field in assisting to establish such standards.[15]

The grading of attributes of products is more difficult. This is due to the fact that individuals differ greatly in the manner in which the attributes or services of products appeal to them. There will always be personal likes which react differently, even to standardized products. This fact renders possible much of the competitive selling of goods—the pitting, for example, of Smith's soap against Brown's and the rest of the field. Since the consumer does not know just what qualities and attributes of many kinds of products appeal most to him, and since different consumers are differently affected, vendors find it is advisable to differentiate their products from competing goods. If the differentiated product appeals to buyers, good will can be created for it. Then, with the product differentiated and standardized, the demand thus created can be satisfied only by the purchase of this particular product.

[15] See C. A. Adams, "Industrial Standardization," *Annals of the American Academy*, Vol. LXXXII (March, 1919), pp. 289–399. Other articles on standards also appear in this volume.

CHAPTER XX

COMPETITION AND PRICES

I

The matter of fundamental interest in the market is price. Buyers and sellers alike are constantly watching prices—the central facts in the market. The consumer seeks, in the end, service and quality; but service and quality being what they are at a time, price is the point of interest to him. To the producer—manufacturer, mine operator, farmer—the price received for his product, a given volume assumed, measures his margin above or below unit costs. Or price may determine his volume of sales, and if his expenses vary with the volume of sales or with the scale of production, prices will have varying effects on the ultimate net profit. For the merchant, price determines the margin on which he must operate in any given transaction, and the markets in which he can buy and sell. Both producer and middleman are interested in prices, not only as determining their volume of sales and margins of profit, but also because they determine the expense of doing business as shown in the price of raw materials, machinery, labor, funds, land, and services—the costs which must be met if the business is to continue. And the uncertainty, which surrounds these prices and the prices at which the goods produced are sold, determines the margin of profit above expenses which business men must make in order to continue to carry on their particular operations. That is, when prices are uncertain this margin must be great enough over a period of time to offset the losses which occur. This means

that when the risk of changing prices is great higher prices must prevail.[1]

Price Defined.—The price of an article is its market value expressed in terms of money. Market value is power in exchange. The price of an article, or service, therefore, is an expression in terms of monetary units of the power which that article exercises in exchange on the market, i. e., of the money it will "buy," and hence, ultimately, of goods and services for which it can be exchanged.

This is not the place to go into the intricacies of price theories as developed in treatises on economics. Important as such studies are, they must be assumed here, and our purpose must be served by a brief summary of the chief conclusions which are generally accepted by students of the subject. A summary of this kind will serve as a background for the more specific study of market price which is the subject of the following chapter. This purpose will be effected by reviewing briefly how prices affect the production and the consumption of goods and services.[2]

Competitive Prices.—In modern industrial countries prices are generally determined under competitive conditions. And although no price, perhaps, is determined on a purely competitive basis—because of various kinds of friction which keep the normal competitive tendencies from complete operation—it is nevertheless true that the main influences upon prices are operating under competitive conditions. It is therefore important to summarize the manner in which prices would be determined in a purely competitive régime. This will also serve to make clear the nature of competition. The various

[1] See Theodore Macklin, *Efficient Marketing for Agriculture* (1921), pp. 326–327, and F. H. Knight, *Risk, Uncertainty and Profit* (1921).

[2] For a more detailed study the student is referred to the standard texts upon economic principles and to such references as may be given therein. Among the more accessible of these are the texts written by Clay, Ely, Fisher, Seager, Taussig, and Taylor. Professor Alfred Marshall's discussion of value and price in his *Principles of Economics*, Book V, is generally considered the best presentation of the subject.

elements which tend to counteract the competitive determination of prices can then be summarized.

In a smoothly operating competitive régime the prevailing price would be one which would bring on the market at any time just that volume of goods which would be bought at a price sufficient to cover the expenses of production, i. e., the expense of making and distributing the product, in addition to a net income to the business man sufficient to make him continue his efforts. If prices fell below this point production would be immediately decreased and the volume of goods reaching the market would be reduced. As the available supply was reduced some purchasers—because of their intense desire for the commodity—would bid a higher price for it in order to get the share of the now reduced supply which they desired. This increased competition among the buyers with the more intense desire would eventually force prices up to a point which would cover the expense of production. If prices became higher than the expense of production, production would be increased—because producers would desire to take advantage of this opportunity to secure greater profits—and a greater volume would be offered for sale. This would continue until the competition of producers—coupled with the declining intensity of demand for the product on account of the increased supply—again forced prices down to the cost point.

When prices are low consumers tend to buy more, when prices are high they tend to buy less; when prices are high more is produced, when prices are low production is curtailed. With both production and consumption sensible to price changes the volume of goods offered and the volume which is purchased change as prices change. Thus, as prices rise, demand (consumption) tends to fall off; but the supply offered tends to increase and more production is called forth, because large profits can be made at the prevailing prices. When prices fall below expenses of production, demand (consumption) tends to increase because of the reduced price; supply, however, tends

to fall off and production is curtailed, because profits are small or do not exist. That is, a high or a low price, in relation to expenses of production and to previous prices, has an effect on both consumption and production—on demand and supply.

Varying Costs of Production.—Up to this point it has been assumed that costs of production are uniform for all units of the product. This would perhaps be true did competitive conditions work themselves out smoothly and quickly.[3] In fact, however, in industry as it is, costs of production are by no means uniform, but vary as between producers; and the same producer may have different costs of production under unlike circumstances, and with varying volumes of production. In the end, it is the price which consumers will pay that determines the volume of production. If that price is high, and if an enlarged supply is demanded which can be had only at increasing costs, then the higher cost production will be called forth by the high prices offered. But if buyers will not pay high prices, the high cost production is eliminated. Or, if looked at from the consuming side, should prices be high, many consumers will be forced out because they cannot, or will not, pay them. Demand is thereby lessened, the supply becomes relatively greater, and, with declining prices, the goods produced at a high cost will have to be sold at a loss. This will continue until some portion of the higher cost production is withdrawn, when, with the supply smaller than before and with the demand relatively larger, consumers with the more intense desires will compete for the smaller supply and the expenses of the remaining high cost producers will be met. On the other hand, if the demand of consumers is greater than the supply, some of them will bid the price up. This will allow the higher cost production to come in, thereby increasing the supply.[4]

[3] See F. H. Knight, "Cost of Production and Price over Long and Short Periods," *The Journal of Political Economy*, Vol. XXIX. No. 4, (April, 1921), pp. 304–335.

[4] If expenses of production increase as individual producers increase

Diagram VII suggests the influence which competition tends to have upon price, through the action of producers and buyers. The conditions shown more nearly conform to the facts as they are likely to exist in the actual market, for if competition were affecting these conditions as we have assumed, the dotted lines and the solid line would be one. That is, production facts and purchase facts would be known by all in-

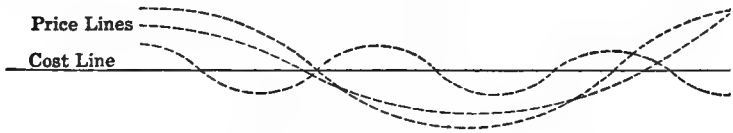


DIAGRAM VII.—*Effect of Competition on Prices.*

NOTE: The broken lines indicate prices, one of which changes more rapidly than the others, but with smaller fluctuations. When the lines are above the cost line, relatively low production is indicated—a condition leading to increased production, unless demand declines. When the price line is below the cost line, relatively large production is indicated—a condition leading to reduced production, unless demand increases.

terested parties, and consequently the supply placed upon the market would always be just that which would be taken ("demanded" in the economists' terminology) at the cost price. The cost line as a straight line indicates a single uniform

their volume of production, an enlarged demand will tend to bring more individual producers into the market, rather than to cause an enlarged production on the part of existing producers. If expense decreases as individual producers increase the volume of their production, an increased demand will induce existing producers to enlarge their operations, rather than to call new—and probably high cost—producers into the market. Production will be "large scale." If expenses are constant, either may happen, although existing producers can usually expand more rapidly and with less risk than can new and inexperienced producers. No matter what is the general tendency in an industry, it is usually true that high cost and low cost producers are found. In the long run the high cost producers tend to be weeded out, either by becoming low cost producers themselves—through imitating low cost producers, or themselves improving methods—or because they are eliminated by the competition of the low cost producers.

cost. As has been shown, this assumption seldom conforms to the facts.

Some Causes for Variations from the Normal.—But the conditions as outlined up to this point are by no means fully realized on the market; on the contrary, wide variations are found. Supply is not readily and quickly adjusted, made larger or smaller at the will of producers; and the news of the market, i. e., of the facts of demand and supply, is neither so widespread nor so accurate as was assumed. In fact, with the exception of prices fixed by custom or the dictates of convenience and of certain partially controlled prices—monopoly prices and prices fixed by the government—the reason for the failure of prices to conform closely to cost of production rests finally on the failure of our market news to indicate these facts accurately and quickly.[5] For if the market could be gauged far enough in advance (it would have to be for years in the case of goods produced by modern roundabout methods of production) prices would conform very closely to costs. Then producers could forecast markets accurately, and their efforts would be so well distributed in the production of the various goods and services desired, that, in the absence of monopoly, the interaction of supply and demand for all products would result in a cost (or normal) price for all of them all of the time. Just in so far as such news is made available are large speculative gains and losses eliminated, or at least, their magnitude is reduced.[6]

Two Types of Price.—So slowly, in fact, is correct market news disseminated, and so rapid are the changes that actually take place from time to time in the factors that affect the immediate demand for products and their supply, that economists sometimes speak of two kinds of prices as existing under a competitive régime. One of these is the *market price* or the actual price which prevails from day to day. The

[5] See Chap. XVIII.

[6] This will be more fully discussed in Chap. XXI; see also Theodore Macklin, *Efficient Marketing for Agriculture* (1921), pp. 306–312.

other is the *normal price,* that is, the price which tends to prevail over a period of time, and, hence, the price which will bring upon the market just that supply for which purchasers will pay enough to cover the expenses involved in production and marketing.[7]

Fundamental Importance of Demand and Supply.—All the market forces which one can think of—monopoly power, custom, advertising and selling, speculative dealing, government regulation of price and service, and consumptive regulation—are important as they affect demand or supply, or both; and are important in the market chiefly as they have such effects. But modifying influences, such as those just mentioned, are found in the determination of all market prices, and consequently tend constantly to keep them from being at one with normal price.

Normal price really represents a minimum and a maximum price. It is the cost price, below which prices cannot go for any long period of time if production is to continue. It is likewise the price above which prices are not likely to continue for long, if competitors are free to come into the field when prices rise. This is true because the increased profits of high prices would lead to greater production. Such a result would cause increased competition among sellers and, in the end, lower prices. The actual market situation is such, however, that in varying degrees supplies do continue to come on the market at less than cost for long periods of time;[8] and, on the other hand, in varying degrees producers are not free to come into the field when prices rise above costs. The more

[7] It is this price which is apparently in mind in many discussions of a "fair price," particularly by farm and trade associations. See Macklin, *op. cit.,* pp. 324–325, 333; and H. C. Adams, *A Description of Industry* (1918), p. 167; also P. W. Ivey, *Principles of Marketing* (1921), pp. 226–227.

[8] This is well illustrated by the losses manufacturing firms have been taking during the present period of readjustment. They have continued to operate, though often at a loss. See also pp. 352–354 and pp. 380–381.

fundamental of those conditions which affect actual market prices are the subject of the remainder of this preliminary discussion.

II

On the assumption that all prices tend toward the normal price of their kind, i.e., toward cost of production, it remains to explain some of the more important conditions which tend to keep actual market prices from reaching the normal price. These conditions can be summarized: (1) the failure to properly forecast market tendencies, (2) monopoly, (3) government control, and, finally, (4) custom and convenience.

(1) Speculative Prices.—Speculative prices prevail throughout the business world. In a sense, all prices are speculative, because knowledge of the actual conditions which will prevail on the market at a future date, near or distant, is never complete. Even the most perfect news service cannot report the many possible changed situations that may arise between the time the market is forecasted and the time the prospective exchange actually takes place. Not only may changes occur in conditions affecting production, such as an improvement in methods resulting in cheaper processing or better products, or both, but changes in demand likewise arise. A panic, a war, a "dry" law, a cyclone, a new product or method, may, one or all, alter the nature and amount of the demand for goods. The interaction of market forces is so complex and the apparently extraneous circumstances which have, nevertheless, a considerable effect are so many, that an accurate estimate of market conditions which will prevail at a future date is often practically impossible. This is true, of course, especially of articles which require long periods of time for their production, or of articles for which the demand is more or less precarious and elastic—as with seasonal style goods. These conditions prevail to a large degree in the market for most machine-made products, and similar problems arise in the market for farm products. There are, consequently, likely to be alternating gains and losses on the

market. These result from over- or under-estimation of the market demand or supply, and cause gain or loss, greater or less according as the estimates are more or less remote from the actualities.

(2) **Monopoly.**—Monopoly affects price from the side of supply.[9] It implies control of the price at which goods will be offered for sale. This arises from the unified control of the supply of a product or service, as when the government has a monopoly of the postal service, or grants to some producer through the patent or copyright privilege the exclusive control of the sale of certain products; or as found when a given entrepreneur or a group of coöperating entrepreneurs control a limited supply of raw material, such as anthracite coal, diamonds, iron ore, or of a finished product, such as gasoline or sugar. In cases of this kind, although the monopolist cannot dictate prices at which the consumer will buy as is sometimes assumed, it is true that he can fix the price at which the goods can be purchased.

But the power which the monopolist is able to exercise over the price he will charge for his product varies greatly under different conditions. It may usually be assumed that the ordinary monopolist desires profit. For that purpose he has produced goods or obtained possession of them or of services. But profit necessitates sales, and so he wants to sell. The amount which he can charge individual purchasers is obviously limited, at the extreme, by their purchasing power. Within this limit, determined by consumer purchasing power, the price which the monopolist can charge and yet sell his product will be limited by (1) the elasticity or inelasticity of the consumer demand, (2) the ease with which other products can be substituted for the monopolized product, and

[9] The term is also used to include control from the demand side. Thus Ely describes monopoly as "combination and unified action, signifying restraint on the free offering of commodities and services by rival sellers and on the free purchase of these commodities and services by rivals who desire to secure them."—R. T. Ely, *Outlines of Economics* (3d ed., 1917), p. 190.

(3) the fact that the government may interfere if prices are too high.

The elasticity of consumer demand is determined both by the intensity of desire and the extent of the income. If salt could be monopolized, as it has been at times, the inelasticity of the demand would make it possible for the monopolist to raise the price to unheard of heights. And there would be no limit, save his resources, to what the consumer would pay for water if it were monopolized. If sugar, on the other hand, were monopolized, although consumers might pay a much larger share of their income for it than they are now in the habit of paying, a point would, nevertheless, be reached where they would go without sugar, substituting corn syrup, maple sugar, or other sweets; or if need be they might even go without sweets of any kind. If the necktie market were monopolized and prices raised, a point would be reached relatively soon at which consumers would begin to go without neckties. Social custom might induce one to pay exorbitant prices, but there are many other things for which the desire is so intense that one would give up neckties rather than go without those more desirable things.

Consumer Desires Limit Monopoly.—The fundamental limitation to monopoly price, as to all prices, is the consumer demand. Individual consumers have different incomes and different desires. If desire is not intense a high price cannot be charged, or else consumers will go without. A few may have a very great desire for the product, others a moderate desire, and yet others no desire at all. The last cannot be induced to buy at any price; the first will buy at a very high price; those with moderate desires will purchase only when the price is low, because their desire is so limited that a point is soon reached at which they obtain greater satisfaction in spending the same part of their income in other directions. But consumer desire is limited in its market influence by consumer income. Desire may be very great, but the amount which each can spend is obviously limited

by his income, so that a very high price would in any case shut out those whose income was small.[10]

The ideal monopoly price—that which will bring the monopolist the greatest net income—must be determined with such considerations in view. For most products the choice must lie between (1) high price and high unit profit, but a small number of sales, and (2) many sales on a small unit margin of profit. This is, of course, a statement of the price problem as met by many sellers, but the ordinary seller must make his price conform closely to the market price, or else his competitors will undersell him. The monopolist, on the other hand, controls the total supply of his product and has no such competitive limitations. He can charge what price he will; and he will not, cannot, be undersold. His price problem is to use this power so as to secure the largest net return.

Determining Monopoly Price.—In order to gain the greatest profit the monopolist must determine what price will give the greatest margin between total expense and total income. In doing this he has little definite knowledge with which to start. He may know his costs of production and selling; although if it is a business of increasing or decreasing expense he cannot know even this with accuracy. But he does not know what reaction he will receive from the consumer at different prices, except after trial. Of course, if he is wise, he will study his market so as to estimate the best price, but aside from that he must experiment. Probably few monopolists, if any, have ever hit upon the best price for their article, and if they did, the price would be but temporarily the best, for conditions affecting expenses, demand, wants, and income

[10] A monopolist may sometimes, however, charge different prices, and so take advantage of different incomes. This is most feasible when the product can be varied to give different degrees of quality to the same fundamental product. Two familiar illustrations are the sale of books in different bindings and at different prices, and the sale of phonographs at varying prices. In each case an appeal is made to different buying strata by changes which are confined primarily to finish, or "quality."

are constantly changing. Furthermore, undoubtedly many firms possessing a monopoly, or even a degree of monopoly, have not tried to exercise their power to the limit. This, ignoring any more altruistic motive which may influence them, is on account of their fear that, if their monopoly does not rest on some exclusive privilege, competitors will be induced to enter this market, that substitution will take place, or else for fear—generally in the case of important commodities of every day use—that popular indignation will force the government to take a hand.

Semi-Monopoly Power Common in Competitive Lines.—In the competitive market somewhat of monopoly power is exercised as a result of the demand-creative efforts of producers, coupled with the force of custom or habit on the part of consumers. When a consumer is in the habit of purchasing at a certain store it often takes a considerable inducement in price or service to make him change. Again, he may have bought a particular brand of goods for years, and when the price is raised he will continue to buy it, although if he were coming into the market for the first time he might refuse absolutely to pay so high a price. The seller, through national advertising, local advertising, the use of salesmen, or the coöperation of middlemen, creates in the buyer a desire to buy his particular brand of product, and just in so far as he is able to induce buyers to ask for and insist on getting his product he has a monopoly of his market.

Influence of this sort does not, it is true, usually carry with it any large influence over prices. For if the price is much higher than the price of competing products, the buyer is likely to purchase the competitor's goods. But so long as price and quality remain approximately the same, the created demand will combine with the established custom as well as with the desire of the purchaser and assure to the seller his market. It is this fact which makes effective the large part of selling effort. That is, once the customer is won over, he

ordinarily continues to buy that product over and over again.[11]

It is these "repeat sales" that make economical much of modern selling. Take chewing gum as an extreme example. Over $3,000,000 is reported to have been spent on advertising last year by one manufacturer. At a selling price of a penny a stick that was the equivalent of the market price of 300,000,000 sticks of gum—three for every inhabitant of the country. Advertising on this scale is profitable only if, when once a sale is made, "repeat" sales follow. The cost of the initial sale is gradually spread over the later sales. The later sales are made because after the consumer was induced to make the first purchase, and found the product satisfactory, a smaller sales effort, or none at all, was required to procure each additional sale.

(3) **Government Control and Operation of Monopoly.**—It is plain that the monopolization of a necessity of life may prove to be a very terrible power over the pocketbooks and even the lives of consumers. Monopolies of goods or services of peculiar importance to the welfare of the general public, consequently, are often owned by the government; and usually are at least subject to its control over rates and service. The operation of public utilities is naturally monopolistic, because it involves the economies of large scale production, including the elimination of the wastes of duplicate competing plants, and because certain monopoly privileges in the form of franchises, such as the permission to use public highways, are an essential element in operation. These are usually controlled to protect consumers against extortionate prices, and to assure extensions of the service to parts of the community where it should go but where a private firm might not find profit in extending it, and so where it would not be carried if no control were exercised.

[11] This is usually called good will. The protection of this good will is the basis of the price-maintenance argument, discussed in Chap. XXII.

(4) Customary and Convenient Prices.—Competitive prices are also limited by custom and convenience. Dealers become used to charging certain prices, and consumers become used to paying them, and whether expenses go up or down, often within wide limits, prices remain the same. This is especially true of retail prices, which by no means conform to the many and frequent changes in wholesale prices. A grocer may sell a pound of coffee at forty-five cents for years, whereas the actual price he, or his jobber, pays may vary nearly every week; but very often only a considerable change in the wholesale price, which appears to be relatively permanent, will induce him to change the retail price. Shoes of certain manufacturers were advertised for years at established prices, but despite the rising costs of recent years it was not until the upheaval in expenses resulting from the World War that changes were made. General prices mounted for some time before a change was made in the price for a shave or haircut. Such customary prices are often hard to explain. But they make marketing much simpler to both seller and consumer and help to decrease price bargaining in small purchases—through making more evident the one-price-to-all policy. They eliminate bargain hunting for the products and services of ordinary consumption. Customary price is convenient to the dealer and to his customers.[12]

[12] See also pp. 426, 436–438.

CHAPTER XXI

MARKET PRICE

I

In the last chapter an attempt was made to summarize what may be called the long-time tendencies of market price. In this chapter some more specific considerations of market price will be discussed.

It has been shown that in the long run prices tend to conform to costs of production. This tendency is particularly manifest under competitive conditions. That is, market price tends toward, or fluctuates about, normal (cost) price, unless a deterrent force—monopoly or some scheme of market control, for example—prevails. At a time, however, costs of production have little to do with determining market price. For the strength of the existing demand of buyers sets an upper limit above which the price cannot go, regardless of costs. Furthermore, market prices tend constantly to change, as a result of the variation in knowledge of fundamental conditions possessed by traders, the strength of consumer desire, and the need of sellers to realize on their merchandise. At any one time, the estimates which traders make of conditions of demand and supply, present and future, determine the actual demand and supply which is effective in the market—whether they reflect the true potential conditions or not. The extent to which these estimates are correct over given periods determines how closely market prices will conform to costs, as well as the range of fluctuations in prices over shorter periods.

Price Limits.—In the whole range of prices from producer to consumer, it has been shown that certain fairly definite

ultimate limits exist. The lower limit to price is the expense of production and marketing of the highest cost producers and distributors whose products and services are demanded.[1] The upper limit is the price buyers will pay for an existing supply. These, however, are simply normal price limits which are effective over a period of time. Market price may go above the latter limit, and below the former. But if it does go above the latter, demand will be decreased, the full existing supply cannot be sold, and prices must drop in the end, if the total consumer demand remains unchanged.[2] That is, there will usually be some demand at the higher price but not enough, so that in the end some products (of the existing supply) will have to be offered at lower prices to be sold. If prices go below the cost of production a part of the existing supply is likely to be withheld,[3] and if in the end, it must be sold at a price too low to satisfy the producer, the ultimate result will be a reduction in further production, perhaps even the destruction of part of the existing supply.[4]

Importance of Retail Prices.—In the final analysis the prices which sellers can charge are determined in the retail

[1] See F. W. Taussig, "Price-Fixing as Seen by a Price-Fixer," *Quarterly Journal of Economics*, Vol. XXXIII (1919), pp. 205–241.

[2] It often happens in the wheat market, for example, that the visible supply and the receipts at a particular market are unusually small. This condition, or either one separately, if demand is normal, or unusually large, will often force prices up temporarily.

[3] This is normally assumed, but is not always true. It has been frequently noted that on a falling market holders become panic stricken and hasten to sell so as to avoid what they fear may be a greater loss. This of course accentuates the decline. Farmers frequently do this when the price of grain falls sharply.

[4] There may be direct destruction, but it is more likely to take the form of plowing under a crop, failure to harvest, or failure to market the crop, and a decline in future production. Since the increase in freight rates many examples have been cited of perishable products consigned to markets and sold at prices which did not cover the freight charges. See *Economic Conditions, Governmental Finance, United States Securities*, the monthly letter of the National City Bank, New York, March, 1921, p. 3.

market. It is true of retail prices as of other prices that the cost of production (including marketing costs) sets a lower limit below which they cannot go for long if production is to continue. If expenses are not met the retailer or jobber will fail, or if they do obtain their margin (above the price they pay) out of low priced goods, prices to producers will be so low that they will refuse to produce more. On the other hand, the strength of consumer demand determines an upper limit to retail prices, and ultimately an upper limit to prices all along the line back to the producer, as well as to prices for production goods and equipment. It is true that under our modern "one-price" system of quoting retail prices an individual buyer must usually take or leave an article at the quoted price. He buys or not according to his income and to the manner in which the price fits into his personal scale of values. But in the end prices are limited by the demand of consumers in the mass. If prices are so high, for example, that enough buyers will not come into the market to take the total supply offered at a given price, the price must come down before all of that supply can be sold.[5] It follows, therefore, that in the long run it is the retail price which sets upper limits to prices at all preceding points, and that price is determined by the reaction of consumers.

Retail Price Determination.—These conditions which have been described simply set long time limits. The prices which are charged in retail stores are not determined directly by them. These are set in various ways: (1) at a certain "mark-up" above cost, (2) by custom or convenience, (3) by an estimate of what the most satisfactory price will be, (4) at a price suggested by the manufacturer, (5) as a result of price understandings with competing stores, and (6) by following the prices set in competing stores.

(1) The "Mark-up."—A common method of setting retail

[5] It is these phenomena which economists describe in explaining "marginal utility" and "marginal vendibility." See F. W. Taussig, *Principles of Economics* (3d ed. revised, 1921), Chap. X.

prices is to add a normal "mark-up" for the particular line of goods to which a product belongs. This mark-up is added to the cost of the goods to the store and normally includes the estimated cost of selling that particular class of goods plus such profit as the store decides that it should make.[6] These normal mark-ups may be accepted throughout a particular trade, or they may apply to a store as a whole, to particular departments, to particular lines, or to individual commodities.

A price set in this way, however, is always tentative—to be raised or lowered as market conditions dictate. If there seems to be a very great demand, the price may be increased. If demand falls off, the price may be reduced in order to stimulate further demand. Retailers do not, however, always reduce prices. They may increase their sales efforts, or they may simply accept the small demand for a particular article and make no effort to increase it. In the latter case they will thereafter reduce the volume of purchases to correspond to sales, or refuse to buy additional stocks. In the merchandising of staple lines purchases are easily adjusted to sales in this way. Stocks can be held and slowly sold at the price marked. But with style goods or with staples which are a considerable part of a merchant's line this is not a wise policy. If staple goods are a considerable part of a merchant's line, or his complete stock—for example, shoes, drugs, groceries—and his prices are too high, the effect is obvious. Style goods are usually bought in advance of the season, and if they do not move at the desired price something drastic must be done at once to get them on the market. Unlike staple lines they cannot be held over; for as time passes they come to correspond less and less to the demands of the market, and so the longer they are held, the greater the ultimate loss that must be taken. If a greater demand cannot be created, lower prices must be fixed. Goods which

[6] Some of the common costs and gross profits in various retail lines will be found on pp. 509, 515–516.

are physically perishable present much the same problem. The low "Saturday night" prices for tomatoes, peaches, and strawberries are often accounted for in this way.

(2) Customary and Convenient Prices.—In addition to normal mark-ups in given lines or departments there prevail in many trades more or less customary or convenient prices.[7] Prices can be named and change made more conveniently in "even money." Again when a price has prevailed for some time both seller and buyer come to take it for granted. With such goods large variations in the wholesale price may cause no change in the retail price. Furthermore, if the wholesale price increases to a point which nets no profit to the dealer it is by no means uncommon for him to solve the problem by discontinuing the product, or at least not to feature it, rather than to raise the price.

(3) Price Estimating.—The retailer, like the manufacturer, sets many prices by estimating the price which will bring the best returns. He may do this by comparison with similar goods in his own store and with the prices charged by competitors. His supply houses may advise him. And many stores depend to a large degree upon the judgment of competent clerks and department managers.[8]

(4) Suggested Prices.—In the sale of many branded and advertised products, the resale price is set by the manufacturer.[9] So long as the retailer abides by the manufacturer's price decision he is, of course, unable to influence sales through any change in prices. The manufacturer has taken that into his own hands. Ultimately, however, the same forces which would cause individual dealers to change their prices will force

[7] See p. 421. For an interesting account of a practice of this kind, and its effect on the prices charged by manufacturers and jobbers, see U. S. Tariff Board, *Report on Cotton Manufactures,* Vol. 2, pp. 532–570 (62d Cong. 2d Sess. [1911–1912], House Docs., Vol. 133, Ser. No. 6315). This is a discussion of customary factors in pricing cotton textiles.

[8] This is sometimes called "eye-value." See Paul W. Ivey, *Principles of Marketing* (1921), pp. 229–230.

[9] See Chap. XXII.

the hand of the manufacturer. Local conditions of demand will not be so well calculated, but widespread conditions are probably better calculated in this way—since the manufacturer is in a better position to study the wider market influences. In other cases the manufacturer does not insist on the maintenance of prices but suggests the price to the retailer, or perhaps prints a retail price on the article or its container.

(5) Price Understandings.—Another common method of determining retail prices is to set them in consultation directly or indirectly with other dealers. This is thought to be very common with staple products which are not branded, such as coal, sugar, and lumber. Uniform prices sometimes result from understandings brought about through local retail associations. Since there is little variation in the quality of generally recognized grades of such products it is evident that the consumer can shop for them and buy them in the cheapest place. This of itself would lead to uniform prices. But "shopping" of this kind also leads to excessive competition among merchants, to avoid which the retailers may consult with one another to determine a common price or normal mark-up.

It should not be concluded, however, that the existence of common prices in all stores selling a particular commodity is the result of an understanding between the stores. A condition of free, untrammelled competition with large knowledge of the market also causes uniform prices to emerge. It is very common, for example, for housewives to go from store to store comparing prices, and "shoppers" sent out from stores are constantly visiting competing stores to compare the price and quality of merchandise.

(6) Following Competitors' Prices.—The last sentence suggests another means by which prices are frequently fixed. Many stores determine their prices from the prices which competitors are charging. A single store often takes the initiative and others follow—marking their prices at, above, or below the competing price, according to their general policy. This may be a conscious process on the part of the stores

who imitate, or it may result indirectly from their endeavor to set prices in relation to competing prices on a basis which experience has shown to be wise. But since some stores are quicker to sense fundamental market conditions than are their competitors they come to set the pace and the others follow.[10] It is understood to be fairly common for middle class and cheaper department stores to follow rather closely the prices offered in the basement of the "high class" department stores.

Even when stores do not consciously follow a leader in this way—even when they themselves lead—they nevertheless follow prices in competing stores, and gather valuable information of their competitors from their own customers and from supply houses. Although a merchant has a definite way of determining the prices at which he will offer his merchandise for sale—such as cost plus a definite mark-up—he must usually consider the prices prevailing in competing stores and, within the limits which his experience and judgment show to be necessary, price his own goods so that they will compete successfully. Each store ordinarily watches its competitors with great care. In this way it is able to learn what competitors are doing and prepare to meet in some way any advantages which their prices, merchandise, or service may have in the eyes of buyers, before the buyers themselves are aware of them. To the extent that this is true it can be said that each merchant sets his prices to meet the prices of his competitors.

[10] It is quite common among manufacturers just as among retailers to follow recognized leaders in the trade. The United States Steel Corporation in the steel industry, the Reading Coal Company in the anthracite coal industry, the Standard Oil Company, the American Sugar Refining Company, and other large producers are closely watched, and their prices are followed by their smaller competitors. Even where there are no outstanding organizations, like those in the cases cited, there are usually one or two firms which are recognized as leaders in the trade and whose policies in regard to prices are quite generally followed.

How Prices Evolve.—There is, thus, really no beginning or end of the price-setting process.[11] Each vendor watches his competitors. Furthermore, even when prices are determined independently of competitors, truly new prices are seldom set, because the price-setting process is continuous. The prices to be charged for each new stock of merchandise, as well as for existing stocks, are built upon the prices which have prevailed in the past for the same or similar merchandise. These are modified only as the seller's knowledge of the market dictates. Seldom is a price built up anew. Prices once established tend to continue, until some new condition exists—in fact or in anticipation—which induces the seller to make a change. This is especially true of retail trade, in which market influences are much slower to affect prices than in the wholesale trade.[12]

II

Just as in the last analysis all prices are limited by what the final consumer will pay for finished goods, so on the other hand the price which must be paid for production goods and equipment, as well as for consumption goods, in order to bring them on the market, is determined by the price at which a sufficient number of producers can be induced to devote their efforts and resources to production. But the prices which are offered to producers at any particular time do not necessarily bear an immediate relation to that price. They are determined very largely by the immediate conditions of demand and supply, as manifested in actual offers and bids in the market.

Producers' and distributors' costs, it has been shown, set lower limits to prices—limits below which prices cannot long prevail if production is to continue undiminished. But it has also been indicated that the market price which is paid in a competitive market, at any one time, is determined by other

[11] See Wesley C. Mitchell, *Business Cycles* (1913), pp. 27–32.

[12] For the reasons for this see pp. 436–438.

forces. Costs affect it only as they may influence sellers to offer or withhold merchandise. The influence of buyers (consumers) in determining upper limits has also been disclosed. But how are the actual prices quoted in the market determined? Three general classes of merchandise have been distinguished in previous discussions: production goods, equipment, consumption goods. Somewhat different conditions surround the pricing of each.[13]

Prices of Production Goods.—Raw materials are production goods in the sale of which demand creation is unimportant. This is the case because they sell "at the market." That is, a market price common to all products of a given grade prevails, and the producer cannot normally modify this price through efforts at demand creation. He can affect it only by diminishing the supply offered on the market, i. e., through withholding a part of the existing supply or through reducing the production of future supplies. These conditions are not, of course, confined to raw materials, for with any product sold solely on the basis of known, determinable, material qualities, it is possible for buyers to test these qualities, or have them tested, for themselves. Manufactured products which are sold as production goods for further manufacture, or as parts to be assembled, are similar in this regard to raw materials, since they are largely purchased on specification or by grade.[14]

Prices of Consumption Goods.—Very different conditions exist in the marketing of products for use in personal consumption and for equipment. With these the producer, within broad limits, sets his price.[15] There is no definite market price at which the products of different sellers are sold or offered. On the supply side products can be withheld from

[13] Only one of these, consumption goods, is sold at retail.

[14] See pp. 93–96.

[15] Such are the prices set by cranberry associations and walnut growers to open the season, and the "bids" which machinery manufacturers make to buyers, and their catalogue prices, as well as most retail prices.

the market or production can be reduced. But the price of these commodities—in contrast with most production goods—can be influenced on the demand side as well, by the creation, modification, or diversion of demand. It is possible for the vendor of consumption goods to do this because the intangible elements in the appeal of his product cannot be definitely measured and graded. His product, furthermore, is bought in small quantities, and by those who usually have not the ability and surely not the time to test carefully even the material qualities of a product.

Prices of Equipment.—Many of the same considerations which apply to the sale of production goods, apply to the sale of equipment, but in a smaller degree, because it is frequently impossible to determine in advance the relative performance value of competing equipment. And this introduces demand creation as an important factor in making sales. In the case of new equipment which a producer or merchant has never used before, demand must be created for the new service. Equipment goods of this kind are called specialties: typewriters, adding machines, cash registers, mimeograph machines, etc., when first introduced were of this class. Furthermore, many of these are bought by inexpert buyers and in small volume, so that the comparison with consumption goods often holds at this point as well.

No Definite Market Price for Consumption Goods and Equipment.—There is, consequently, no definite market price for most classes of consumption goods and equipment. And so the price which the vendor sets is in the nature of a trial price, i. e., he estimates the best price at which he can sell his product, and then tries it out on the market to determine whether his estimate (or guess) is right. With the development of the one-price policy in wholesale as well as in retail sales this estimate has assumed large significance,[16] since price cannot be modified to meet the conditions which

[16] It is even more important when the manufacturer determines retail prices.

develop in individual transactions. The price prevails throughout a market and the value sense of individual buyers must conform thereto, or be made to conform, if sales are to result. But the best of sales efforts cannot effect this end if the price is too far out of line with the valuation which the bulk of buyers place upon the merchandise.

It is in this connection that Shaw points out that a vendor may sell at, above, or below the prevailing market price for similar goods.[17] The price he determines upon depends in large part on the kind of sales appeal which is to be used. If the product is to be sold very largely on a quality basis, it may be sold at a higher price than the usual market price for similar merchandise, and quality can be emphasized and price ignored or minimized in the sales appeal. If the goods are to be sold at less than the market, the manufacturer is very likely to place great emphasis upon the low price, i. e., to sell on a "price basis." In selling "at the market," he may emphasize both price and quality if he so desires, although the price argument cannot be made particularly strong unless the quality is superior to that of competing goods selling at the same price, or unless other manufacturers are selling on a quality basis at the "market plus."

It is not meant to imply that when products are priced at the "market plus," with quality emphasized and price minimized in the sales effort, that the vendor tries to sell at a price which is higher than the quality warrants. There is, nevertheless, a probability that the cost of producing this added quality is proportionately less than the increase in price. But the difference is not necessarily profit. It may go largely into the cost of the increased sales efforts which selling on a "quality basis" commonly imposes. But larger unit profits do often obtain, particularly when sales are made

[17] As he expresses it, prices may be at the "market par," "market plus," or "market minus." See A. W. Shaw, *An Approach to Business Problems* (1916), Chap. XV.

to so-called "high class" trade. The volume of trade, however, may suffer.

This possibility of emphasizing price in some cases and quality in others and, possibly conversely, ignoring price in some and ignoring quality in others, arises from three fundamental conditions, which have been previously emphasized: (1) the lack of recognized standard grades covering all important characteristics of the product, (2) the inability of consumers to compare competing goods, and (3) the fact that the same characteristics, in both consumption goods and special equipment, appeal differently to different consumers.[18] The inability of consumers to compare competing goods arises from their lack of skill and their failure to take sufficient time to analyze carefully and compare the characteristics of competing products, but the different reactions to identical products must be traced to the difference in individual tastes and characteristics and to variations in incomes. The different features emphasized in the sale of competing motor cars illustrate these points, and a rather extreme case is found in the publicity efforts of two cigarette manufacturers, one advertising its product as "all Turkish" tobacco, the other advertising its product as having "just enough" Turkish. Manufacturers of equipment, likewise, recognize these conditions by their efforts to add "improvements" to basic mechanisms, and by producing several models.

Consumer Demand Limits Prices.—The price which consumers are willing to pay for a given supply has an effect on all previous prices, which tend to be less than that price by the normal margins of the sellers in each preceding market.[19] Although it is true that particular prices tend to be determined from wholesale prices, wholesale prices really only reflect conditions of supply and demand. These are

[18] See especially Chap. VII and Chap. XIX.

[19] See Theodore Macklin, *Efficient Marketing for Agriculture* (1921), p. 322.

manifest in the producer and consumer markets, even though they may be first sensed in the wholesale market.

When middlemen know what the retail price tendency is they alter their offers to purchase to suit—unless higher prices are anticipated—so that the burden of low prices will fall on the producer who still holds his goods. Merchants who have bought at a higher price cease buying, and the retail supply may thus be temporarily reduced. When merchants need to renew their stocks, they will not pay more than the price they expect to receive, less the margin they want. But the producer (or merchant he has sold to) has the product and, in the end, must sell. Unless he can hold it over to a later time when supply is less or demand greater he is the one who loses most heavily. Likewise, when prices rise, those who hold goods tend to make the largest gains. The merchants continue taking their normal margins, and functional middlemen their normal commissions, unless prices rise very rapidly or they buy large stocks as a speculation.

III

Price Fluctuations.—Fluctuations in market prices vary as between different classes of markets, and different products. They occur with great frequency in the wholesale market and with far less frequency in the retail market. They are frequent but small in markets where future trading enables speculators and traders to discount future market trends. They are usually infrequent but large where no such future trading prevails. Furthermore, they may be controlled and stabilized by monopoly, combination, and association. Finally, fluctuations may respond but slowly to market changes, even under truly competitive conditions, because of the use of customary or convenient sums in naming wholesale and retail prices, because of the inconvenience of constant changes in price, and because prices are sometimes "maintained" by manufacturers of branded and advertised goods.

Prices in Different Markets.—The previous discussion has shown the limits between which market prices tend to fluctuate: what consumers will pay is an obvious upper limit to prices and the costs of production and marketing set a lower limit. It has also been shown that almost never is either of these a definable limit. Cost is not only a lower limit; it tends also, in a competitive market, to be an upper limit, which may be far below the limit determined by consumer desire. Over a period of time, therefore, market price tends constantly to fluctuate about costs—sometimes above and sometimes below.[20]

But there are various market prices prevailing for a given commodity, all of which, however, bear a close relationship to one another. For farm products there are the prices at which the grower sells the country shipper, the price at which the country shipper sells the wholesale receiver, and the price at which he, in turn, sells to the factory. For consumption goods there are the prices at which the country shipper or wholesale receiver sells to the jobber, the price at which wholesale dealers sell to retailers, and the retailers' price to the consumer.[21] Furthermore, there are many markets of each class usually spread over a wide territory, and almost innumerable transactions are carried on in each. In the market for manufactured goods a similar situation prevails.

Some of the most interesting problems of market price concern the interrelations between these various markets and the transactions in them. At one extreme is the prime producer; at the other is the final consumer. Between these there appears the distributing machinery, often comprising several classes of markets, and frequently one or more manu-

[20] See F. W. Taussig, "Is Market Price Determinate?" *Quarterly Journal of Economics,* Vol. XXXV, No. 3 (May, 1921), pp. 394–411.

[21] These are not exactly speaking prices for the "same product," since there is commonly a division of the product into classes of different size and quality somewhere after it leaves the farm.

facturing processes. It has been shown that the variations in price at the different steps in the distribution of commodities tend to conform to the costs involved. But is the retail price determined by adding a mark-up to the wholesale price; or does it work the other way, and is the wholesale price determined from the retail price? Is the price which the wholesaler pays determined by the costs of production of prime producers plus the costs and a normal profit for any marketing activities involved in getting goods into the wholesaler's possession? Or does it work the other way, so that the producer's price is determined from the wholesale price? And how closely do prices in one market follow prices in another of the same or different class? These and similar questions arise concerning market price. Their answers have been suggested, but they call for further discussion.

Prices in Different Markets.—Fluctuations in wholesale market prices, i. e., prices at which wholesale dealers buy and sell, are usually more frequent than are fluctuations in retail prices, or in the prices at growers' markets, or even in the prices at which manufacturers sell to wholesalers.[22] One general cause for this is the fact that market news reflecting actual or supposed conditions of supply and demand is first known in the wholesale market. Furthermore, since both buyers and sellers are skilled and are operating on a large scale they probably receive this news simultaneously. The price, consequently, is constantly forced to the point which market news, as interpreted by the wholesale dealers, seems to warrant.

Retail Prices.—Retail prices, i. e., the prices the consumer pays, fluctuate less than wholesale prices. There are several

[22] "In the entire price system, the wholesale price is most highly organized, most sensitive to changes, has more frequent but on the whole less violent fluctuations, and is usually the controlling price for both producer's prices and retailer's prices."—C. S. Duncan, *Marketing: Its Problems and Methods,* p. 237.

reasons for this.[23] (1) The consumer does not follow the market closely and consequently does not know of changes in the wholesale market. He is normally willing to pay the same price day after day, and is not often at all insistent that the retailer follow more closely the trends of the wholesale market. (2) The dealer buys his product in quantities some time ahead of his normal demand. In many lines it is the custom to "mark-up" the retail price at a certain per cent over the cost price. In a falling market the retailer does not wish to lower his prices so long as he is selling high cost goods.[24] In a rising market the inconvenience of constantly changing prices or the desire to make a good impression on his trade may keep him from raising his prices at once. Again, (3) customary prices prevail in certain lines, and variations are made only in even money or from one customary price to another. (4) Convenience commonly dictates that retail price shall not vary with every fluctuation in wholesale price. When one considers the large number of products handled in the retail store it is evident that the proprietor and his clerks cannot keep track from hour to hour or even from day to day of changes in the wholesale market. There are practical difficulties, furthermore, in re-marking prices. Aside from losing time in altering price marks, clerks cannot remember prices if they are changed too frequently, and confusion results. This is an important consideration with concerns in which many small articles are sold rapidly at a small price, such

[23] Some of these points were mentioned in the discussion of how retail prices are determined, but they are essential to the present discussion.

[24] This has been cited frequently as a cause for the failure of retail prices to reflect the reductions in wholesale prices which have taken place since the spring of 1920. By refusing to sell at the low price which actual (potential) supply would warrant, in view of the existing demand, retailers not only do not lower their prices but they refuse to buy a further supply, because their stocks move slowly and they do not need it. This causes a temporary shortage in the actual supply in the retail market.

as grocery, drug, hardware, and dry goods stores. (5) Normally the retail margin is so great that minor fluctuations in wholesale prices make up a very small per cent of the retail price. For example, many wholesale price fluctuations are less than one cent per retail unit whereas changes in retail prices cannot be less than one cent per sales unit, for change cannot be made, and with many retail lines price changes are customarily made in even sums of from five cents to one dollar. It is evident that in these lines minor wholesale fluctuations cannot be conveniently passed on to the consumer but must be absorbed by the retailer.

Producers' Prices and Wholesale Market Prices.—Factory and farm prices follow wholesale prices more closely than do retail prices, chiefly because of the larger scale on which the operations are carried on, and because of the purpose behind purchase and sale. It has already been shown that when purchases are made in small amounts—as at retail—the buyers are seldom skilled, nor have they time to purchase with care. But in the farm market, as in the wholesale market, trading is in larger volume and more care can be used. Furthermore, the consumer's surplus has an important effect on retail purchases but it has practically none on transactions at other points in the marketing machinery. A consumer is buying to consume—to meet essential needs, and to procure comforts and pleasures. He cannot measure these accurately in terms of their money value, but if he could he would find often that their money value in his estimation was much greater than the actual price he pays. He does not therefore estimate each time he pays seven cents for a loaf of bread, fifteen cents for a can of soup, ten cents for a cigar, or two dollars for a theatre ticket whether he will get just that much satisfaction out of his purchase. This is one important explanation of the lack of frequent fluctuations in the retail markets. But this is not the case with the other buyers in the market. There is a definite money measure for the business value of their purchases. Whether they be manufacturers

or merchants, they must constantly consider whether a purchase at a given price can be resold at a profit. If the consumer pays seventy-five dollars for a suit of clothes which could have been purchased around the corner at sixty dollars and next month at fifty-five, he will suffer no direct misfortune. But the jobber or retailer who pays too much will feel the effect in a definite, tangible way—profits will decline or disappear. In the wholesale market a difference of a cent on each dollar's purchase is often the measure between profit or loss.

Producers' prices, nevertheless, vary less often than do wholesale prices. This is the situation with farm (local market) prices. In some trades prices in the central market vary many times in the course of the day. The factory and farm prices, on the other hand, unless there are extreme fluctuations in the wholesale prices seldom change more frequently than once a day, usually much less often in the case of factory prices.[25] But these changes are usually larger than the wholesale variations—as in even cents. In many farm markets, furthermore, competition is not usually keen enough to force dealers to follow the wholesale markets closely.

The Importance of the Wholesale Price.—There is, nevertheless, a normal relation between these prices. This normal relation between the wholesale price and the retail price on the one hand and the farm or factory price on the other is determined by costs. That is, the retail price is normally the wholesale price plus the costs of marketing of the various middlemen, jobber and retailer for example, and their mark-up for profit. In this way prices are "set." True, as has been shown, the market forces really work back from the retail price, but the wholesale trade senses the changes in the

[25] When manufacturers sell "direct" to retailer or consumer their prices are often uniform for a considerable period of time. This is particularly true of manufacturers of advertised and identified merchandise. Even the prices at which they sell jobbers tend to remain unchanged for considerable periods of time.

retail market before the retail trade senses them. This predominant position of the wholesale price is not, consequently, an indication that wholesalers can "determine" what price they will pay and receive. It is due to the fact that imminent changes which will have a widespread effect in the retail market, or in the country market, or on the factory prices of manufactured goods are commonly sensed in the wholesale market before they become evident to producers or retailers. That is, the market news of the wholesale market is superior.

The price offered at the country market and in less degree the manufacturer's price, are normally the wholesale price less the cost of buying and selling the product in the central market, plus other costs which the shipper must bear, plus his normal mark-up for profit. Both the cost and the mark-up vary greatly, however, as between various points. Transportation costs in particular vary, so that the subtraction or addition of that cost results in great variations in prices at different points, in relation to the price at a particular wholesale market. Variations in the cost of doing business are also great as between efficient dealers and those who are less efficient. That part of the mark-up, furthermore, which goes to profit varies greatly. Where competition between dealers is keen it is small, but where a single merchant has little competition and where agreements exist between merchants this margin is higher.

The Limits to Market Areas.—There are for many staple commodities a "world market" and a "world price." This price is determined at the point at which the surplus products of various producing areas come into contact. When there is such a world price, determined in the centers of manufacture and consumption to which the surpluses of the producing areas are sent, prices in the producing areas and in all intervening markets tend to conform thereto. The degree of conformity is greatest in those staple articles, such as wheat and cotton, in which an organized future market discounts

in advance the effect which conditions influencing demand and supply will have, and tends to keep prices between markets "in line." It has just been shown that prices in the central wholesale markets reflect conditions of supply and demand most quickly, and it is in these markets that the world price is most evident. Retail prices and the prices at which manufacturers buy raw materials, as well as their prices to buyers, are also closely related to the central market wholesale price, and so, where it exists, to the world price. But this relationship, particularly in the case of retail prices, conforms less to the immediate conditions of demand and supply than does the wholesale price. There is such a "world price" for wool, cotton, textiles, iron and steel, important grains, and tobacco.[26] In fact, for all widely used or widely produced products which are consumed in some areas in greater quantities than they are produced, and which are produced in some areas in greater quantities than they are consumed, there tends to be a world price—in the absence of prohibitive marketing costs.

The best examples of a world price are found in the wheat and raw cotton markets. The world price for wheat centers about the Liverpool price. For Liverpool is the important import market of western Europe, and western Europe is the greatest wheat importing center in the world. It is here that the surpluses of the great producing countries, Russia, Argentina, the United States, Canada, India, come into competition.[27] The demand of western Europe draws wheat in that direction, and the price in the producing country must equal the basic price which prevails there in order to keep the supply it desires at home. That is, the Chicago price for wheat is normally the Liverpool price less the cost of marketing wheat from Chicago to Liverpool. The prices in other central markets in America follow this price also, or more likely follow the Chicago price and so follow the Liverpool price because

[26] Tariffs, however, impede the tendency in many lines.

[27] An interesting discussion of the "world" price for wheat will be found in L. D. H. Weld, *Marketing of Farm Products,* pp. 256–262.

the Chicago price does.[28] The price in local markets is likely to be the Chicago or other central market price less the cost of marketing from those local points to the central market.

Factors Which Limit Market Areas.—Where marketing expenses, especially transportation costs, are very high, the area in which a uniform price tends to prevail is thereby diminished. And there are other important factors which limit market areas. One of these is the fact that many commodities are highly perishable. And although improvements in transportation and storage methods have increased the distances over which perishables can be carried, and the time they can be held before use, there remain a number which must seek a limited market. Many fruits and vegetables are of this class. But even goods which are not perishable, and which are of sufficient value to afford transportation costs, often have considerable limitations in respect to the size of the market in which they will be sold at relatively uniform prices. The principal of these limitations have to do with the method of sale which is necessary, and with the confidence buyers and sellers have in their knowledge of future conditions of demand and supply.[29]

When goods must be inspected before a sale takes place, markets are limited because buyers cannot usually inspect the whole supply, or even a large part of it. This is a limiting factor for practically all commodities which are produced over a wide area and which are sold by inspection. There develop, consequently, many small local markets in which local supplies are bought and sold.[30] Even such markets, however, are interrelated. Some buyers and sellers are usually found who operate in more than one market, and

[28] This relation between the Winnipeg and Minneapolis prices for wheat and the Liverpool price is shown in the U. S. Tariff Commission, Tariff Information Series—No. 20, *Agricultural Staples and the Tariff* (1920), p. 62.

[29] See Macklin, *Efficient Marketing for Agriculture*, pp. 308–317.

[30] Most retail markets are of this kind, but so are the wholesale markets for many commodities.

they in turn come into competition with those who operate in yet other markets; and, furthermore, large operators may spread their activities over a wide area by employing trusted agents on whose judgment they are willing to depend. There may, consequently, come to be a rough relation between all such markets. When goods can be sold by sample or description this limitation to the market area tends to disappear, for buyers can then select from a wider territory.

When buyers and sellers have a sufficient knowledge of the future course of the market to be willing to hold surplus supplies, in case they are not able to sell at once at a price which corresponds fairly with what they anticipate future prices will be, prices are likely to be closely related over the whole market area. If there is an over-supply at one point at a given time, it will be held for a later time when the supply will be less, or—and this is the more important point—it can be shipped on at once, or later, to markets which promise better in the future. That is, there is a well organized market, in which differences in time and place utility are confidently discounted, and a wide market develops.

Is Market Price Determinable in Advance?—It is probably impossible to find any means for determining accurately at what price a product should be offered for sale. This is particularly the case with a new product, or with a new quality of an old product sold under changed conditions—for example, style goods in a new season. It may be that any one of a dozen different prices will sell enough of the product to leave to the vendor a satisfactory margin of profit. But it is seldom possible to tell in advance which one of these will prove to be the most profitable. It may even be impossible to know whether a given price will prove to be at all satisfactory. It has been shown elsewhere that profits depend on the volume of business and the unit profit per sale, and that different prices generally develop changes in each of these. But the extent of these changes, particularly in their effect on volume, can be forecasted with hardly any degree

of accuracy. This is true, primarily, because it is impossible to determine in advance what volume of sales will result from each of several prices, and what amount of sales effort will be necessary to sell at satisfactory volume at each price.[31] In other words, it is impossible to forecast the mind of the buyer accurately, and so the reaction of buyers to any price can be determined only by trial. The buyer's mind, furthermore, is changeable, and so the best price to-day may be an unsatisfactory price to-morrow. Clothing novelties, for example, may sell at a high price until they become common. Then stocks may have to be cleared out at a great reduction. Many stores do not restock novelties after the novelty aspect begins to wear off.

Style goods in particular are ordinarily sold at different prices in different times of the "season." Early in the season a high price can be set. The sales at that time are made to those who must have the product and to those who desire to "be in season" and to follow the styles. To these buyers, style and quality are the important elements. Later in the season prices may be lowered one, two, or three times. When the best selections have been taken the appeal must be shifted in part to a price basis. Buyers who are more interested in values than in ultra-style can be appealed to only at lower prices. Finally, the very lowest season's end prices appeal to those with small income and to bargain hunters. A price policy of this kind seems to be more successful in the sale of

[31] This factor of the cost of selling individual items is too frequently ignored. A product which the dealer does not need to advertise or display and which requires a minimum of demonstration and sales effort on the part of the salesman can be handled on a narrow margin with profit. But a product which must be advertised and displayed and which requires a large amount of time on the part of the sales force must be handled on a wider margin—a margin which will cover these additional costs. See R. E. Heilman, "What's the Remedy for Diminishing Profits?" *System,* Vol. XXXIII (1918), pp. 182–185, and L. D. H. Weld, "The Right Selling Price," *System,* Vol. XXXIII (1918), pp. 711–713.

style goods than would the policy of hitting on an average price for the season. Another example of pricing the same goods differently in order to appeal to different classes of buyers is found in the not uncommon method of selling different grades or classes of a commodity or service—crackers and cookies packaged and in bulk; first, second, and third class passage on boats.

Prices Constantly on Trial.—Any price is constantly on trial. If it results in a very large demand the seller may increase the price and in this way increase the net profit per unit sale. This, of course, can be done so long as the supply offered on the market by competitors is not increased to such an extent that competition leads them to cut prices; and so long as there is a sufficient number of purchasers willing to pay the higher price.

Increasing Demand at the Same Price.—If demand is slow, one thing which will usually enliven it is to lower prices, although that result by no means always follows reduced prices. There is another way of increasing demand which is often more effective. That is to try to influence buyers so that they will buy in larger quantities at the prevailing price. It is probably true that many products now sold in large quantities and at good prices could scarcely have been sold at all when they were first marketed without these efforts to influence prospective purchasers. This truth is well illustrated by the history of such specialties as typewriters and adding machines. If a particular product does not "move," it may be played up, consequently, in the advertising, featured in the show case, or displayed in the window, or the efforts of the sales force may be centered on it. It is stated, for example, that a bonus to the retail salesman of fifty cents, a dollar, or two dollars will sell a slow moving line of clothing much more rapidly than a cut of five to ten dollars in the selling price.[32]

[32] This has obvious ill effects. For example, salesmen are tempted to show only the goods offering the highest bonus.

Increased Demand through Lower Prices.—But if it is found that increased sales effort will not develop an increased demand at reasonable cost the next step must be to lower the price.[33] This may be done with no intention of calling any special attention to the fact that the price has been lowered. In such a case it is simply expected that a larger volume of sales will eventually result from the lower price. In other instances business men have large stocks of goods on hand which they desire to turn into cash as soon as possible. When this is the case the lowering of the price is a temporary expedient, the purpose of which is to reduce the large stock within a short time. Many retail "sales" are of this type, to speed the sale of slow moving goods, or seasonal stock left over at the end of a season.[34] Low prices are also used to make a "leader" of a product, either to give the impression that all prices in the houses are low, or to attract buyers in the hope that other sales will result.[35] Another example of lowering price to increase volume of sales is the case of the department store which sends slow moving products to the basement, where they can be sold at lower prices without jeopardizing the sale of similar products on the upper floors.

[33] The quality of the article or service may be improved. But so far as pricing is concerned a really different product is thereby placed on the market.

[34] Nevertheless retail "sales" are not so commonly of this type now as formerly. It is particularly true of large city stores that their sales are planned months in advance and goods are ordered for the express purpose of selling during the "sale." The "annual sales" of white goods, furs, furniture, etc., which are featured by department stores are mainly of this type.

[35] The relation of this policy to the problem of resale price-maintenance will be discussed in the next chapter.

CHAPTER XXII

PRICE-MAINTENANCE AND UNFAIR COMPETITION

I. Price-Maintenance

Some of the most important market problems center about the practice of price-cutting and the means used to eliminate it. The natural result of competition is to force prices down to a level just sufficient to induce producers and distributors to continue bringing the required volume to the market. But often the price goes below this point, and under modern conditions of production with heavy investments in plant, equipment, technical skill, and in the development of good will, it is not always easy for producers to leave one field of activity to enter another. There may be, consequently, long periods of time during which a given manufacturer or even whole groups of manufacturers continue producing at little or no profit and perhaps at a loss, in order to avoid the greater loss which would result from closing down.[1] And even though prices do not fall to this extreme, sellers look askance, nevertheless, at competition which is manifested by the reduction of prices.

Some Remedies for Price-Cutting.[2]—Very naturally, producers have done all they could to reduce the danger from

[1] And business men are commonly optimistic. They are usually expecting "things to get better," or the "turn" to come, in the very near future.

[2] There are many who do not agree that price-cutting is an evil. And surely without price-cutting it is hard to see how buyers are to benefit from the competition of sellers. But sellers commonly fear price-cutting and so long as they do they will endeavor to avoid what they conceive to be its evil effects. It is this fact which is discussed in this chapter, not whether price-cutting really is an evil, or a good thing.

extreme fluctuations in price, and particularly that from falling prices. But whether times are "normal" or bad, price-cutting tends to be present,[3] and its effects must be offset by competitors in some way. The most obvious method is to imitate the price-cutter and reduce prices. But this may lead to further cuts, and then more cuts. Sellers, consequently, prefer to use other means to avoid the difficulties of competition on a price basis, and they have evolved various ways of counteracting the price-cutting of competitors.

A temporary expedient has sometimes been to lower the quality of the product, so that it could be sold at a lower price with profit. In other cases improved methods have enabled a manufacturer or dealer to sell at the reduced price and yet make a profit, or by improving the quality of the merchandise to continue selling at a higher price. Another result of price-cutting is the now familiar "trust movement." Manufacturers have sometimes combined in an endeavor to control the market and thus to maintain prices at a higher level.[4] Again, sellers have in recent years been forming "open price associations," through which they have endeavored directly and indirectly to influence prices.[5]

Emergence of the Price-Maintenance Problem.—In yet other cases individual manufacturers have identified their product, and through publicity—mainly consumer advertising—they have endeavored to build up such a demand that they can, within limits, refuse to reduce the prices at which they sell to the low level to which competition might otherwise force them.[6] But it is just at this point that manufacturers meet a new difficulty, and an important problem in public policy has emerged. Retail dealers soon saw in these well-known, branded articles an opportunity to make a strong

[3] There are many ways in which prices are "cut." See pp. 467–470.

[4] See, for example, L. H. Haney, *Business Organization and Combination* (1914), Chaps. IX–XVI.

[5] See pp. 389–390.

[6] See pp. 419–420.

appeal to consumers on a price basis. By selling such articles at a lower price than was customary, they could themselves realize on the good will attaching to the manufacturer's brand. This has been done in varying degrees. Some stores have used a few articles of this kind as "leaders," either to give the impression that all their prices were low, or simply as a drawing card to induce people to come to the store. Other stores claim to sell all goods at cut prices.[7] Again, all prices may be cut during "sales" at certain periods of the year. Seasonal sales for the purpose of selling out season-end stocks are not ordinarily of importance in the consideration of this particular problem. This depends, however, on whether the sale is really to sell out stock left on hand at the end of a season, or whether it is a regular, planned sales device.[8]

Although the reduction of the price at which the article is sold may greatly increase the sales in the price-cutting store, competing stores raise frequent objection, and in the end the manufacturer may suffer. Other dealers, it is contended, either will not, or cannot, or do not wish, to reduce their prices for the product. Yet with one store offering a well-known article at reduced prices, the customers of other stores may be disgruntled and there may even be a demand from them for the lower price. Since the product is identified and well-known, consumers buying in one store at the usual price, on learning that a rival store is selling it at a lower price,

[7] A representative of the R. H. Macy Co. of New York is quoted as saying: "It is a fact that we sell here on a cash basis strictly. . . . This means that we have no charge accounts, and that we are unable to offer to the public those facilities which go hand-in-hand with the credit privilege. Without these, we *must* offer some substitute inducement to bring the public to us. . . . Years ago we decided that it should be price inducements.

"It is our business working-principle to sell everything lower than it can be bought for elsewhere in any other competing retail establishment."—*Printers' Ink,* Aug. 4, 1910, p. 8. Quoted in P. T. Cherington, *Advertising as a Business Force,* p. 406.

[8] See p. 446, note 34.

may feel dissatisfied with the store in which they paid the higher, but "regular," price and perhaps refuse to deal further with it; or at best they will be likely to go to the other store to make further purchases of that particular article. In the end, it is claimed, the dealer who does not wish to lower the price will refuse to handle that product again, or at least will not be enthusiastic in pushing it. If the old price is maintained, he fears the loss of trade; if the lower price of the price-cutting dealer is adopted, he will make little or no profit, or may even sell at a loss.

In view of these facts it is further contended that the dealer feels aggrieved and the manufacturer loses trade; for the business of the price-cutting merchant is not likely to equal that of the combined sales of his competitors.[9] Furthermore, after the public enthusiasm over the cut-price has worn off, and the injury has been wrought, it is asserted that the price-cutter himself is likely not to attempt to push sales of that particular article. In fact, it is contended that he may use this as a device to draw consumers to his store, and later gradually substitute an inferior article of his own.

With one merchant cutting prices others are likely to demand a lower price from the manufacturer or from their jobber so that they can meet the competition. The jobber himself may also try to exact a lower price from the manufacturer. In fact when dealers find that a competitor is selling at a low price their first reaction is that the price-cutter has received a lower price from the jobber than they have. This may lead to ill-feeling, as well as to a demand for lower prices. So it is held that the jobbing trade may likewise suffer, and thus, as a result, the manufacturer's whole distri-

[9] But the advertising manager of a "widely-known toilet specialty" quoted in *Printers' Ink,* Vol. 72 (Aug. 25, 1910), p. 9, says, "In the cut price town the rank and file [of dealers] are 'unfriendly'—all advocating and advising 'price protection'—but in those towns the sales of the few big dealers selling our product on a comparatively small margin are so large and so satisfactory as to make us almost willing to forget that the small dealers are there at all."

butive process may suffer. Believing this to be true, the manufacturer fears the disorganization of his market, built up often after a long period of strenuous sales effort. He fears that it will be irretrievably injured from the price-cutting activities of a relatively small number of merchants, and other merchants importune him to "protect" them. To meet this situation some manufacturers endeavor to fix the price at which buyers—jobbers and retailers—shall sell the product.

Price-Maintenance: Defined; the Problem Stated.—Price-maintenance has been defined as "the marketing policy which consists of the imposition by the manufacturer of restrictions upon the price at which an article identified by trade-mark, brand, copyright, or patent may be resold by a purchaser or sub-purchaser." [10] In this definition can be seen the origin of most of the complications which arise in determining the legal, as distinct from the economic, status of the policy. Goods identified by trade-mark, copyright, or patent and on which prices are maintained, are sold subject not only to the common law but to the statute laws applying to each. The problem has not been settled, but the general tendency on the part of the courts seems to be to refuse the right of price-maintenance when the goods are sold outright, at least under plans thus far attempted. Most of the cases, however, have not considered price-maintenance on its economic merits but rather in connection with the rights conferred by statutes under the copyright, patent, or trade-mark laws.

Legal Status.—Prices maintained by combinations of manufacturers are contrary to the Sherman Act. And an agreement of a manufacturer with his jobbers and retailers has also been declared illegal under this act.[11] Agreements involving

[10] From H. R. Tosdal, "Price Maintenance," *American Economic Review,* Vol. VIII (March, 1918), p. 29.

[11] ". . . The complainant can fare no better with its plan of identical contracts than could the dealers themselves if they formed a combination and endeavored to establish the same restrictions, and thus to achieve the same result, by agreement with each other. . . .

"But agreements or combinations between dealers, having for their

a contract with first purchasers by which they agree to fix the price of resale by sub-purchasers at a point fixed by the first seller have also been held illegal.[12] It would appear, in fact, that it is in maintaining resale prices of sub-purchasers that the manufacturer's greatest difficulties arise. For, even though a particular agreement by the first purchaser to maintain prices cannot be enforced, there are many excuses which the manufacturer can find for refusing to sell, or for selling on unfavorable price conditions to the price-cutter to whom he sells directly.[13]

Legal Uncertainty.—The legal status of resale price-maintenance is still uncertain.[14] The trend of recent court decisions has, nevertheless, made three things fairly clear. The manufacturer who sells his goods outright thereby loses control over them. Although he may suggest prices to dealers he cannot enforce their maintenance, for contracts which bind

sole purpose the destruction of competition and the fixing of prices, are injurious to the public interest and void." Decision of the Supreme Court of the United States in the case of the Dr. Miles Medical Company *v.* John D. Park and Sons Company, April 3, 1911. 220 U. S. 408.

[12] The U. S. Supreme Court decided this in the case of the Federal Trade Commission *v.* the Beech-Nut Packing Co. (Jan. 3, 1922), 66 U. S. (Lawyers' Edition) 178.

[13] In the case of the U. S. *v.* Colgate and Co., 250 U. S. 300, and in the case of the Great Atlantic and Pacific Tea Co. *v.* The Cream of Wheat Co., 227 F. R. 46, the courts affirmed the right of vendors to select their bona fide customers, under the common law and section 2 of the Clayton Anti-Trust Act. See also S. H. Slichter, "The Cream of Wheat Case," *Quarterly Journal of Economics,* Vol. XXXI (1916), pp. 392-412. The situation is not clear in all cases, however. See the Federal Trade Commission *v.* Beech-Nut Packing Co. (Jan. 3, 1922), 66 U. S. (Lawyers' Edition) 178.

[14] For detailed discussions of the legal status, and for citations to important cases, see Tosdal, *op. cit.,* pp. 35 ff; C. T. Murchison, "Resale Price Maintenance," Columbia University, *Studies in History, Economics and Public Law,* Vol. LXXXII (1919); and the annual reports of the Federal Trade Commission. *Printers' Ink* follows current developments and one of the most recent discussions of the trend of court decisions is that of W. H. Spence, "Recent Cases in Price Maintenance," *Journal of Political Economy,* Vol. XXX (April, 1922), pp. 189–200.

the dealers to such prices cannot be enforced. A manufacturer may, however, refuse to sell dealers who do not observe his prices. This may be sufficient for manufacturers who sell directly to retailers, but it is little protection to the great majority who sell consumer goods to jobbers. Again, a manufacturer who consigns goods to dealers and keeps title to them until they are sold to consumers may maintain prices in that way. There are few, however, who care to take the risk involved in such a policy, or who have the financial strength to carry it out.

Because of the uncertain legal situation there has been a rather insistent demand to legalize resale contracts. A few such statutes have been passed by our states, and bills before Congress have received considerable attention. The question is primarily one of economic policy and so the ultimate justification for the practice, and hence, for the passage of such an act, would be the economic benefit that would result to society. With this in mind, let us review some of the more important arguments that have been advanced on both sides of the controversy.[15]

The problem can be best approached by a general discussion of the main arguments for and against the fixing of resale prices by the manufacturer, followed by a discussion from the point of view of the middleman and consumer.

The question is, fundamentally, whether the manufacturer,

[15] The main features of the Stevens Bill as summarized by Murchison, *op. cit.*, p. 29, are as follows:

"I. In any contract for the sale of trade-marked or branded goods the manufacturer may require the observance by dealers of a fixed price, . . . provided that his brand or trade-mark is registered with the Federal Trade Commission . . . [and] that such contract permits a limited number of seasonal or disposal sales—two a year—in case the manufacturer does not choose to repurchase the goods himself on thirty days' notice.

"II. Emergency circumstances such as bankruptcies, fires, deterioration of goods, etc., may justify a divergence from price, provided the manufacturer after thirty days' notice does not care to repurchase the stock."

who sells an article identified by patent, copyright, or trademark—for which he has created a consumer good will through his own sales efforts—is justified in dictating the prices at which that article shall be disposed of after it has left his hands, and is being sold by independent jobbers and retailers; or is each of these dealers entitled to decide for himself, at what price he will sell the product?

Arguments Concerning Price-Maintenance: (1) The Manufacturer.—The advocates of price-maintenance hold that it is unfair, after a manufacturer has built up his business through advertising and other means of demand creation, for a few dealers to make an "unfair" use of the good will thus created for the product, to the detriment of competing dealers and eventually to that of the manufacturer himself. It is held that price-cutting tends to cripple this good will, by causing ill will, or lack of interest, on the part of other dealers. Sales are then curtailed or else prices have to be lowered by the manufacturer. And, of less importance, it is argued that good will is undermined because the value of the product is lowered in the eyes of the consumer.

The first point is the important consideration. That price-cutting operates toward disorganizing a market can be acknowledged without admitting the dire results which are said to follow, or the need of the remedy which is proposed. The lack of supporting data concerning the evils of price-cutting of this sort places the burden of proof on those contending for price-maintenance, and their *a priori* reasoning concerning the evil effects of price-cutting avails little in the absence of such evidence. Thus, although a majority report of a committee of the Chamber of Commerce of the United States related that they knew of "literally hundreds" of cases of damage to the interests of manufacturers and merchants, facts to support their contention were not given. The minority report declared that its members had been "unable to ascertain one well defined case of the failure of either a manufacturer, jobber, or retailer resulting from price cutting on identified

goods."[16] Professor Tosdal states that an examination of the statistics of failure in the United States shows that they do not offer much support to the contention that great evil results from the practice.

Extreme price-cutting always tends to lower profits whether the goods be branded or unbranded, but it might seem that the advertised branded article of real merit would have a sufficient hold on the market to maintain its position, even though it does offer an excellent mark for the price-cutter. The nature of this argument is rather interesting, in view of the fact that the lowering of the price of an article usually leads to an increase in the volume of sales. That the consumer demand for some goods is likely to decline if the price is lowered may in rare instances be true. That is, consumers may question its value at the low price, or "high class" consumers may no longer care to purchase it. But the far more general result of a lowered price is to increase the volume of sales, in which case the demand for the manufacturer's product will grow rather than decline. But in the case under consideration the situation is different. For when the price is lowered by a single dealer in a market, or by a minority of dealers, it is held that a different result follows. True, the price-cutters may sell more individually. But the fall of the article in the esteem of the consumer, or, more particularly the disinclination of other merchants to push its sale, may more than offset the increased sales in the cut-price stores. But may not the importance of these points be greatly overemphasized? For surely, if a large consumer demand has been created for an article this can be expected to offset to a large degree any disinclination of the dealer to handle it. And few consumers will lose their desire for an article simply because the price has been lowered. It is also true that for many products consumers will not take the trouble to shop

[16] See *Report of the Chamber of Commerce of the United States on Maintenance of Resale Prices,* Referendum No. 13 (April 1, 1916), pp. 14, 21, but see also C. T. Murchison, *op. cit.,* pp. 32 ff.

about. Even when they know that a given article is sold more cheaply at another store they will not usually, unless the difference in price is very great, go much out of their way to make the saving.

The Manufacturer's Status.—If the manufacturer has created a powerful consumer demand for his product he need not fear price-cutting of this sort, for retailers will have to handle his product or lose trade. But, even though this is true, he may lose the assistance of the dealer in supplementing his own demand creative activity. And in reality very few manufacturers have been able to create so insistent a demand as this. The majority of people when asking for a specified article are willing to take a substitute, either because of the trouble of looking further, or because of the power which the retailer can exercise in the sale. As is sometimes said, consumer "acceptance" has been created, not consumer "demand." Again, if the product is a necessity of which the manufacturer has a virtual monopoly he need not fear, for the product will be demanded of the retailer just as in the previous case, save only that the demand may be more insistent, since no substitutes are available.

But most manufacturers are not protected in these ways. And they feel that they cannot ignore the problem. Even those who are protected do not get the full value of their sales efforts if the antagonism of the dealers who handle the goods has been aroused because their competitors cut the price; or even if the dealers simply are not interested in pushing them. Many manufacturers, when they fear that price-cutting will injure their business, contend that they can continue to reap the benefits of their market campaign only by fixing the resale price of the goods. They feel that in this way alone can they eliminate the price-cutter as a disorganizing influence.

For the manufacturer large enough to establish his own channels of distribution or even to do his own jobbing, it is relatively easy to do this. In the first case, he can set the

price at which he himself sells the consumer. In the second, he can refuse to sell those retailers who will not maintain the prices he stipulates. For although the legal status of a manufacturer who refuses to sell directly to a price-cutter is uncertain, it would seem that in general he will have little trouble.[17] But for the small manufacturer, or the manufacturer of a single line, this method of maintaining prices is likely to be impossible. He cannot afford the expense involved in having a sales organization of his own, nor is he likely to be willing to bear all the risk incident to such a plan of distribution. For him, a gentlemen's agreement or a contract, if legal and enforceable, might possibly be efficacious in controlling the resale price among the jobbers, particularly if they are few in number. But for the retail trade, a gentlemen's agreement covering a wide area is not feasible. In such a case, apparently, only a contract enforceable at law, or the close coöperation of jobbers in exacting compliance from retailers, will assure the maintenance of prices.

(2) **Price-Maintenance and the Middleman.**—Fundamentally, the fate of a policy of maintaining prices by means of a contract should rest upon the economic aspects of the question as viewed from the standpoint of the final consumer. But the effect on the merchant, as well as on the manufacturer and consumer, is also important. In fact, it is the effect of price-maintenance on manufacturers and merchants and on their sales policies which will determine the effect on the consumer. The attitude of jobbers consequently warrants a word.[18] In so far as they handle their own competing brands they tend to favor price-maintenance, but since prices may be easily maintained in sales to the first purchaser there is little need for a statute to protect their own branded goods. Consequently, the jobber's chief interest in the prob-

[17] Murchison, *op. cit.*, pp. 27–28, and cases cited on p. 452, notes 12 and 13.

[18] Jobbers have not taken a prominent part in the discussions of resale price-maintenance. In so far as their associations have acted it has been to favor the policy. But many individual jobbers are opposed.

lem is determined by the effect which price-cutting and prices maintained by manufacturers have upon his retail trade. Thus, if the jobber feels that price-cutting will eliminate small retailers and encourage the development of large retailers, who buy directly from manufacturers or who force him to give price concessions, he will favor a policy of price-maintenance. This would do away, besides, with the demands of some of his customers for low prices to meet the competition of price-cutters. Again, those jobbers in a precarious position in the trade would welcome fixed prices, since such prices would probably carry a sufficient margin for them to operate on. Since the success of the jobber is dependent on the continuance of small retail establishments his interest will be primarily determined by the effect of the policy on that class of stores.

Retail Monopoly Argument.—In the consideration of the price-maintenance problem in its relation to retailing, it has been contended that price-cutting gives to the large retailer a weapon with which he can force smaller competitors from the field. If this is true, fear is expressed that a monopoly will develop on the part of a few great establishments like the mail order houses, department stores, and chain store systems. The data at hand do not seem, however, to warrant so general a conclusion. Furthermore, the legalization of price-maintenance, unless the policy were widely adopted, would not hinder this process. For cut prices on other articles, such as staple but unbranded merchandise or on merchandise branded by the merchant, even now used often as "leaders," would have the same general effect. Or if prices were maintained on all articles sold, competition would simply be forced from the field of price into that of service where the more efficient and more powerful merchandisers could continue to reap advantages. The result, then, would be unsatisfactory to the consumer, for now he can choose between the different types of stores. He can buy of the stores offering low prices

and fewer services, such as the familiar cash-and-carry grocery store, or he can buy from stores charging higher prices but offering greater services. With generally maintained prices he would have to pay for these services whether he wished or no. The inefficient stores would still be at a disadvantage, and small but efficient stores at no greater advantage in competing with larger competitors than they are now. One of the essential tests of modern retail efficiency is the rate of turnover, and an important method of stimulating turnover is through lowered prices. It is evident, then, that to the extent that price-maintenance would keep prices higher than they would otherwise be, either retailing would by so much be less efficient or else other means would have to be developed to speed up the turnover. Finally, the fear of monopoly seems absurd. Even though all small stores were eliminated, present indications are that the competition between great department stores, chain store systems, coöperative stores, and mail order houses would continue unabated.[19]

(3) **Price-Maintenance and the Public.**—On the assumption that price-cutting tends seriously to injure the market of the manufacturer of advertised, branded products, it is argued that maintained prices are not in the interest of the manufacturer and of the middlemen, alone, but of the public as well. Two reasons are advanced. In the first place, it is held that such products are produced and sold by superior methods, which assure the consumer a uniform product of superior quality and enable him to make his purchases with greater ease and certainty.[20] In the second place, it is argued that price-maintenance is a problem which arises in the case of advertised, branded products; that these products are commonly superior products; and that the sales efforts of the manufacturer lower their cost through enlarging the market

[19] For a discussion of the present strength of the small unit store, see pp. 187–190.

[20] This has already been discussed in Chap. XIX.

and thus lowering the expense of both production and distribution.[21] But, this contention runs, cut prices tend to increase the manufacturer's problem of demand creation, to raise the costs thereof, and may even tempt him to lower the quality of his product in order to compete on a price basis rather than on a quality basis. Either result will be unfortunate. On the other hand, it is held that price-maintenance will assure to the public the benefits derived from the sale of branded articles, and all of the savings derived from the manufacturer's superior production and selling, and particularly from his advertising.

This is all a question of fact. Price-maintenance has not been attempted in the case of large numbers of branded products, yet they continue to flourish and to increase in number until the benefits derived therefrom are to some degree counteracted by the mere increase in the number of competing brands. Hence price-maintenance does not seem necessary for keeping what advantages come from the introduction of branded articles. In fact, there is reason to believe that these benefits would not be so great under a régime of price-maintenance as they are now. This is the case because there would be a tendency to increase competing brands, and hence to increase competing advertising. The cost of this might well run up, without any firms gaining such a commanding position as actually to reduce the total cost of demand creation. And if a few firms did gain such an advantage, it seems more than likely that the opportunity to maintain prices would facilitate price understandings which would cause prices to rise. In other words, it would tend to make such an advantage swell the profits of the fortunate manufacturers rather than to reduce the price to consumers. In the absence of such understandings competition or a desire to enlarge the volume of business would, however, undoubtedly lead to price reductions even if the supposed benefits from price-maintenance were realized.

On the other hand, the contention of some opponents of

[21] See pp. 24–27, 396–398, and pp. 522–529.

price-maintenance that competition would be eliminated if price-maintenance were legalized is not sound. Not even price competition is avoided. For although a uniform price of resale is maintained by a manufacturer, that price must be set with a view to the prices of competing goods, the strength of the desire of consumers, and the likelihood of substitution. Dealer competition based on cutting prices is, of course, avoided; for with the standard price set by the manufacturer the competition of dealers must emphasize the quality of the product and the service offered by the dealer—at the fixed standard price. The chief danger to competition would be that competing manufacturers would use price-maintenance as a means of making understandings as to prices more effective. Such understandings exist now, and price-maintenance would change this situation only if it facilitated them. It is not at all clear that this would occur, although the price-fixing activities of some "open price associations" might be facilitated.

The changed emphasis in dealer competition, mentioned in the last paragraph, is the cause for some objection to the policy. The development of "service" as a means of retail selling is considered by many to have gone too far. It is generally supposed to be one important cause for the high cost of retailing. The recent development of "cash" stores and of cash-and-carry stores has been welcomed as a means of affording lower prices to the large number of consumers who are willing to forego service in order to gain lower prices. It seems unreasonable that dealers whose costs are low, either because of reduced service or of greater efficiency, should not be allowed the use of the price appeal, and that consumers should not receive the price advantage which would result.[22]

In the long run it appears inconceivable that a single, maintained retail price can prevail. The different types of service offered by retail stores must in the end be recognized.

[22] There is no question of the existence of differences in costs. See pp. 515–516.

Even this would not give full play to differences in the efficiency of stores offering similar service. Since society depends on competition to force out the inefficient and to force prices toward lower levels, any system which retards that process must offer compensating advantages.

What Does the Dealer Purchase?—It is held that the dealer who purchases an article is entitled to resell it at any price he desires.[23] On the other hand, those who favor price-maintenance argue that although the article is the dealer's, the ease with which such goods are sold depends, after all, on the good will which the manufacturer has created for them at his own expense. But the opponents of price-maintenance contend that the dealer is paying for this good will when he buys the article: in fact, that this good will is even used as a sales argument, or as a club over his head, in selling him. The risk of the destruction of that good will the manufacturer can well afford to take, they assert, if the benefits derived from it are as great as they are held to be. On this point, however, it has been shown that few facts have been marshalled to show that such good will is actually destroyed.

Price-Maintenance and Efficiency.—Whereas the advocates of price-maintenance sometimes hold that price-cutting tends to eliminate the small merchant, and to foster monopoly on the part of a few large merchandisers, their opponents contend that price-maintenance penalizes efficient merchants and is disadvantageous to the public because it limits competition on a price basis. This tends to keep the public from benefiting from superior merchandising ability, because the efficient dealer is forced to compete on a basis of service alone. And it appears that perhaps the inefficient merchants would be assisted to continue in business, and thus the superior merchandising ability of the more efficient would result in greater profits to them and not in lowered prices to the consumer.

Again, it is argued that fixed prices will tend to be high

[23] The same reasoning does not apply when goods are consigned to be sold at a price which the manufacturer stipulates.

prices, as the avowed purpose is to maintain prices which will make possible a higher profit to manufacturer, jobber, and retailer. But this contention does not appear to be entirely warranted. A compilation quoted by Cherington [24] seems to indicate that the retail margins on some price-maintained articles are higher, and on some lower, than those on similar articles on which prices are not maintained. After all, the maintained price, in the absence of monopoly, must be set with a view to the prices of competing products, and can be no higher than the market will warrant. Maintained prices do not necessarily mean high prices; they tend rather to place all dealers on the same price basis, high or low as the case may be. In the absence of severe competition, however, the price would undoubtedly tend to be fixed at a price which would enable all dealers, except the very poorest, to make a profit. This would be true, unless the manufacturer believed that the more rapid turnover of efficient distributors, selling at a low price, would offset the loss of sales by the less efficient dealers who could not sell at that price.

The Manufacturer's Dilemma.—This last point suggests the dilemma which the manufacturer faces. It has been shown that when a few dealers cut prices other dealers become dissatisfied. To meet their demands the manufacturer must either lower his prices so that these dealers can compete with the price-cutter, or he must fix the resale price and enforce its maintenance. If he does the former the way is thereby opened for a still further cut by the price-cutter, and unless an enlarged volume of business results to offset the new price he makes to his distributors, the manufacturer must suffer a reduction in profits. But if he does the latter, i.e., fixes resale prices, he may lose the trade of the price-cutting merchant. At best, any increase in the volume of business in the price-cutting stores which resulted from their low prices will be cut off. These dealers, however, are often an important outlet for the

[24] In his *Advertising as a Business Force*, pp. 386–390, from the June 27, 1912, *Printers' Ink*, p. 3.

manufacturer's goods, so that he desires to retain their good will. This is particularly true of lines in which chain stores are important, for these stores frequently operate on a cut-price basis, and they do a considerable part of the whole business in some lines, such as groceries and drugs. The manufacturer wants the business of the large price-cutters, and if their business becomes especially desirable his attitude toward fixing resale prices may undergo a change. This may, if the large price-cutting merchandisers continue to grow in importance, force the manufacturer to distinguish between "service" and "non-service" stores, and between large and small stores, in adopting a policy with regard to prices.[25]

Conclusion.—In conclusion, it seems that the evil results from cutting the prices of branded goods are perhaps not so great as the advocates of price-maintenance believe. Furthermore, where such evils do exist it would seem that an administrative agency, such as the Federal Trade Commission, could restrain the price-cutter.[26] It is a grave question whether the public would benefit sufficiently from legalized price-maintenance to warrant such interference with the established régime as would probably result.[27] But in this connection it should be said that even with price-maintenance legalized, stable prices could not be maintained long in the sale of most products. Changes in production and distribu-

[25] Many manufacturers and jobbers give lower prices to large stores—quantity discounts which smaller stores cannot obtain because the volume of business does not warrant it.

[26] Section 5 of the Federal Trade Commission Law declares unfair methods of competition illegal and allows the Commission to decide what is unfair. The Commission is now opposed to price-maintenance, holding it to be an unfair method of competition in violation of Section 5 of the Federal Trade Commission Act. In a number of cases the Commission has issued orders to cease the practice. With the decision in the Beech-Nut Packing case the Commission's stand on many of these cases has been upheld by the courts.

[27] On the other hand price-maintenance was not thought to be illegal until the case of Miles *v.* Park, 220 U. S. 373, was decided in 1911, and the decisions in other cases were handed down about that time.

tion constantly lead to price changes. And prices would be particularly hard to maintain in a time of falling prices. Finally, it may well be doubted whether those who maintained prices would really benefit in the end, since competition would not be eliminated but would turn to competition in service and quality, which might ultimately bring about conditions as bad.

There is, nevertheless, room to question whether a manufacturer should not be allowed this privilege if he desires it. The manufacturer who sells "direct" to retailer or consumer can legally maintain prices if he wishes. But the manufacturer who has insufficient capital to sell directly, or who believes it is more economical to use jobbers, finds it difficult to dictate selling prices. In the event, then, that such a manufacturer believes price-maintenance is important he has an incentive to market through his own organization. He may even choose to do so despite the added cost. This would seem to be unfortunate for him and for society. But if the manufacturer who markets directly to retailer or consumer can maintain prices there is good reason to argue that his smaller competitor, and manufacturers in other lines in which direct marketing is not feasible, should be allowed to exercise the same privilege.

Perhaps the whole controversy has assumed unwarranted importance. Doubt has already been expressed as to its importance to manufacturers. On the other hand, it is a question as to whether legalized price-maintenance would have much effect on the consumer. With competing products, price competition would simply be shifted from the retailer to the manufacturer. Since the manufacturer would have to feel the pulse of the market to maintain his sales, the consumer would not suffer. If the industry were monopolized, or if the maintained prices took the form of understood prices, as between competitors, nothing fundamentally new would be introduced. Legal remedies are at hand to deal with such contingencies, and if price-maintenance facilitated such under-

standings, a requirement—such as that of the Stevens Bill—that prices be registered with the Federal Trade Commission, would be sufficient protection from this new danger.

II. Unfair Competition

Introduction: Competition and Economic Effectiveness.—To achieve the best economic results, competition must be so ordered that those individuals, firms, and corporations which are most efficient in making and selling will survive the struggle with their less efficient competitors. This does not mean that it is to the interest of society that the largest, the wealthiest, or the most unscrupulous should succeed, but rather, that he who produces the best product at the lowest cost, or who can market the products of others most effectively and most economically should succeed. In this way competition tends toward the survival of those producers and middlemen who can best serve society, and through them, to the development and perpetuation of the best technique. Unfortunately, however, the profit seeking which underlies the competitive system often leads to methods of competition which, however effective they may be from individual points of view, cannot be said to be to the best interest of society. Such methods,—i.e., methods which tend to the survival of those who use them, but which do not tend to promote more efficient production and distribution—are coming to be called unfair methods of competition. They are looked upon as unfair to competitors, and as economically and socially undesirable.

Unfair Methods and Big Business.—The unfair methods of competition which have received widest publicity have been closely associated in the public mind with the methods of big business. And indeed, they are frequently methods which can be used effectively only by firms, or combinations of firms, which are larger and more powerful than their competitors, though not necessarily technically superior to them. These methods are various, and the literature of the relations of big business with the courts abounds in examples. Some

of the more important of these unfair methods of competition will now be presented in order to give a general picture of the practices involved. It will be evident, however, that many of them are not always "unfair." In fact, some of them are commonly looked upon as legitimate means of competition.[28]

I. **Unfair Price Practices.**[29]—First in importance are certain practices which center largely about prices. It is expected that competition will center about price, and conse-

[28] In its efforts to enforce Section 5 of the Federal Trade Commission Act "the Commission has handled some 3,000 cases, has issued 788 formal complaints, and issued 480 orders." Most of these cases have been brought to the attention of the Commission by business men themselves "and they indicate the presence of a strong and healthy force in American business life tending toward the suppression of obstructive elements and the upbuilding of fair and moral commercial standards."

Two general classes of cases come before the Commission: "first, those practices where a difference of opinion as to right and wrong exists in the trade itself. Such questions are highly controversial. They include and are typified in the question of resale-price maintenance. . . .

"Second, those practices where a difference as to right and wrong does not exist in the trade itself, but where in given cases there is controversy over the facts."—*Annual Report of the Federal Trade Commission* (1921), pp. 5–7.

A list of the "methods of competition condemned" will be found in the annual report for 1920, pp. 56–57.

[29] The Federal Trade Commission has classified the methods of unfair competition "violative of the statute" into three broad classes:

"(1) Methods involving an element of moral turpitude since they are characterized by fraud, deception, misrepresentation, intimidation, or some similar wrongful element.

"(2) Methods which while not generally involving any element so clearly violative of good morals, are,. newertheless such as are unlawful because condemned by the common law.

"(3) Methods not involving either of the elements in the foregoing classes but which had the effect of directly placing restraint upon the freedom of particular competitors to compete, of closing the channels of distribution by contract or otherwise to competitors generally, or of eliminating competition or otherwise restraining trade to the detriment of competitors and the public."—*Annual Report,* 1920, p. 48.

quently it is illuminating to see in what ways such competition may become unfair.[30] (1) First of all is the plain policy of reducing the price of products below the cost of production. Obviously, if a price were reduced below a competitor's cost of production but still allowed a reasonable profit to the price-cutter, that would be the very result which it is hoped to obtain through competition. The less efficient producer would thereby be eliminated. But when the price-cutter lowers his price below his own cost of production, an entirely different situation arises. A practice of that kind can be carried to a successful conclusion only by a firm which is financially more powerful than its competitors, and even then for but a short time or in part of its market. A firm financially weaker than its competitors would be playing a losing game, whereas in the case of firms of equal financial capacity and productive ability the policy would result in a victory for neither. But the financially powerful organization may be less efficient than many of its financially weaker competitors, and yet through mere "length of purse" it may be able to cut prices until its competitors are ruined,[31] or are willing to compromise on some basis that is more agreeable to the stronger party than it would be to carry the struggle through.[32]

Other Price-Cutting Methods.—But price-cutting may not be so widespread. (2) A large organization may wish to eliminate a competitor in a certain section of the market. By lowering prices there and keeping them up elsewhere it will bring about the desired result effectively and more cheaply.

[30] The fixing of resale prices is considered undesirable by the Federal Trade Commission, but that practice has already been considered.

[31] F. W. Taussig, *Principles of Economics,* Vol. II (rev. ed., 1915), p. 427.

[32] Illustrations are not used in the present discussion. They are easy to find, and those interested are referred to the Bureau of Corporations, *Trust Laws and Unfair Competition* (1915), and its reports on the steel and other industries; W. H. S. Stevens, *Unfair Competition* (1917); *Annual Reports of the Federal Trade Commission,* and the great volume of "trust" literature now available.

(3) Or the manufacturer of a "line" of products may be able to undersell the competitor who produces a single commodity in that line by reducing prices for it below costs. Although losing money on the one line he can still sell the other products at the usual prices. Sometimes the same object is accomplished more indirectly, and (4) supposedly independent companies controlled by the price-cutter offer their product at a low price while the product of the parent company continues to be sold at the regular prices. These "bogus independents" prove to be effective in destroying competition while at the same time regular prices and the good will are retained for the parent company's product. (5) In still other cases the company may put out a single product—a "fighting brand"—of approximately the same characteristics as the competing product. By doing this it hopes to gain the trade of those handling the competing brand. At the same time, it continues to sell the regular lines at the usual prices.

Some other methods of competition found in the trade activities of merchandisers, as well as in those of manufacturers, can also be grouped under the head of price-cutting methods, although they affect prices more indirectly. Thus (6) some manufacturers and some retailers use trading stamps, coupons, and the like, so that when a certain amount of business has been done a prize of some sort is received. It is obvious that this is in the nature of an indirect discount for quantity purchases, which may or may not be unfair as it results or does not result in unduly lowering prices. It has sometimes been used as a means of local price-cutting. When used by manufacturers a scheme of this kind is made even more effective by giving the discount only in case all products of a given line are bought from the manufacturer. (7) Sometimes large quantity discounts, or "inside prices" are used to undersell competitors.[33] These may be granted only to very large buyers, and in so far as they are not warranted through the savings that may result from handling large orders, they

[33] See P. H. Nystrom, *The Economics of Retailing* (1915), Chap. XVI.

discriminate against competitors. (8) In yet other cases it has been urged that certain manufacturers or dealers give excessive credit or discounts for cash which their competitors who can produce as efficiently cannot give.

II. Closing Channels of Distribution.—A very effective method of destroying competition is to close the channels of trade to a competitor's product. He is then forced to sell his product directly to the ultimate consumer through his own marketing system or else go out of business. Or if he is a dealer, he must produce his own product. Of course this method is seldom so effective as this statement makes it appear to be and it results usually only in hampering the competing firm to a greater or less degree. Among the most common means of closing the channels of distribution to a competitor are the exclusive dealing contract and the method known as "full line forcing." (1) In the former case the manufacturer induces the dealer to whom he sells to agree to handle no competing line. If he is able to get the best dealers in a given area to agree, the most desirable channels of distribution are thereby closed to competitors, who must then distribute their goods themselves or use inferior middlemen. (2) In the second method the seller controls some particularly desirable product which the dealer feels that he must handle to keep his trade. But the seller refuses to allow him to merchandise it unless the dealer also agrees to handle other products which the seller has. Combined with the exclusive dealing contract, such a system operated by a powerful firm may prove very effective in hampering the trade of those who are attempting to sell competing lines.

(3) There is a general feeling of hostility on the part of the retailer and the wholesaler who term themselves "regular" dealers against new types of dealers, and against those who step out of their place in the channel of distribution. Thus, manufacturers who sell over the heads of jobbers or directly to consumers are not looked upon with favor, and likewise "direct" purchase by consumers and dealers is opposed. To

counteract these methods of trading, strong dealer associations, through the use of lists of "regular dealers" and of "fair" or "black" lists of dealers and manufacturers, sometimes attempt either to have manufacturers sell only to "regular" dealers, or to have the regular dealers buy only of the manufacturers or jobbers who are "fair"—in the sense that they do not overstep the bound of their "regular" business, as those bounds are set by the "regular" dealers. These efforts are often very successful in the accomplishment of the dealers' purpose. But as they tend to maintain the *status quo*, they are likely to stand in the way of such integrations in marketing processes as might, if allowed to develop, produce a true economy in marketing.

III. Dishonest and Questionable Practices.—In addition to the methods which have been discussed other practices are engaged in which are obviously dishonest. These practices not only hamper competitors in their market, and so keep them from reaping the natural benefits of such productive and distributive efficiency as they may possess, but most of them can be questioned when viewed from either the ethical or social point of view. Among such practices are (1) attempts to induce a competitor's customers to break contracts and refuse to make purchases or sales of products as agreed;[34] (2) espionage upon another's business through bribery of his employees or of the employees of service industries, such as railroads and express companies who handle his product; (3) bribery of the buying agents of a competitor's prospects; (4) misrepresentation of a competitor's goods through advertising, salesmen, or correspondence; (5) passing off one manufacturer's goods as those of another, by wholesale and retail dealers; (6) bringing unwarranted suits against a competitor for infringement of patents or other alleged illegal acts, so as to injure the competitor and give him a bad name in the trade; (7) copying and selling goods based on the patents of weaker competitors who

[34] They may even agree to protect the contract breaker financially in case of a law suit.

cannot afford a suit at law to protect their rights. (8) Less direct is the use of coercion, or intimidation of a competitor or his customers, through threats to use some of the methods already discussed in case they continue to compete, or to purchase of, or sell to, the competitor, as the case may be. (9) Finally, even such violent methods as the direct interference with competitors have been so prominent as to warrant mention. Breaking a competitor's product in the hands of the purchaser, interference with delivery through bribing transportation companies to delay shipments, or through fomenting strikes, following up salesmen and using forcible methods of hindering sales, and similar crude devices, have been used.

Unfair Competition and the Public: Conclusion.—The practices mentioned in this discussion are practically all of no direct benefit to the public. On the other hand, they hinder the trade of competing firms, and, so far as the injured firms are as efficient or more efficient than the dishonest or unscrupulous competitors, concerns may be eliminated from production and distribution which it would be to the interest of society to retain. These practices show some of the excesses of our competitive régime, which must be curtailed if the best results are to be achieved.

CHAPTER XXIII

THE RELATION OF THE STATE TO MARKETING

I

In the preceding chapters consideration has been given to some of the more important activities of the state which affect marketing. In the present chapter governmental efforts will be further considered, in order to show their objects and their effects upon the distribution of goods. The question of the relation of the state to marketing is the most important part of the broader problem of the relation of the state to industry. Its discussion at this time is peculiarly pertinent. In the United States, as in foreign countries, central, state, and local governments are, more and more, restricting, regulating, investigating, and studying trade and industry. They are also, in increasing degree, supplying aid and information. There is, thus, a trend toward a greater interest of government in business. But with bureaus, commissions, investigation, restriction, and various forms of assistance to industry on the one hand, and with distinct opposition to these efforts on the other, no definite policy has been accepted.

Types of State Effort: Relative Importance.—Existing state activities have been divided into (1) those which are necessary—namely, those functions which must be performed if the existence of government is to be justified; (2) those which are natural, or normal, but not necessary; and (3) those which are neither natural nor necessary, but which are often exercised.[1] Among the "necessary" functions Garner places the maintenance of internal order, peace, and safety, the pro-

[1] J. W. Garner, *Introduction to Political Science* (1910), pp. 318–320.

tection of persons and property, and the maintenance of external security. As natural or normal, but not necessary, he enumerates such efforts as the postal service, the construction and maintenance of dikes, bridges, lighthouses, harbors, and canals, the maintenance of scientific and statistical bureaus, protection of the poor, education, and the regulation of trades and of business. These services are important to the public welfare, and they would be unprofitable or impossible of performance by private enterprise. Among those which are considered to be neither natural nor necessary but frequently undertaken are the construction, operation, and maintenance of railways, telegraph and telephone lines, gas and electric plants, and waterworks; the encouragement of industries by bounties, tariffs, and subsidies; and loans to farmers, railroads, and industrial concerns.

The Conflict of Interests.—The most extreme opponents of governmental interference in business seldom contend that efforts of the first kind are unjustified. And the great majority of people agree that the performance of the second group of activities, and in a less degree even those of the third, is a desirable function of government. This is true except perhaps when such acts interfere with private interests. For example, when a bounty or tariff protecting a particular industry is advocated, those who would benefit from the proposed program are likely to support that special policy. But these very interests may fight bitterly against any effort to "control" the profits of their business, to establish a minimum wage for their employees, or to enforce requirements looking to the diminution of the evil results of adulteration.

In England and the United States, where the theory that the state should let business alone is most strongly advocated, government activity has nevertheless extended into each of the three fields which have been mentioned. This was true even before the World War. During the war, government control developed rapidly and to a great extent that tendency persists. There are signs that seem to point to a reaction, but

it appears to be more likely that the events of the World War caused a permanent increase in the exercise of government control over business.

It is interesting to consider the degree to which various interests turn to the government for assistance in carrying out particular reforms or for special assistance and privileges. The President is asked to bring pressure to bear to prevent a railway strike; and the Secretary of Commerce is named as one who should be called upon to settle a proposed coal strike. State legislatures are asked to pass laws to prevent the increase of rents. The Adamson Eight-Hour Law is forced through Congress by railroad labor and the Transportation Act of 1920 is forced through by railroad investors. Agricultural interests try to have legislation passed which will abolish produce exchanges, and succeed in having one law enacted which gives a certain degree of control over the exchanges to the Secretary of Agriculture and another which gives him supervision over the stock yards. Manufacturers endeavor to have a protective tariff established and American shipping interests are insistent in demanding a ship subsidy, freedom from paying tolls for the use of the Panama Canal, and the repeal or amendment of the Seamen's Act.

Two Opposing Views of Governmental Regulation.[2]—

[2] There is a short, well selected collection of references on the relation of government to industrial activity in L. C. Marshall, *Readings in Industrial Society,* pp. 1019–1082. See also W. S. McKechnie, *The State and the Individual* (1896); R. G. Tugwell, "Economic Basis for Business Regulation," *American Economic Review,* Vol. XI, No. 4 (Dec., 1921), pp. 643–658; Adam Smith, *Wealth of Nations;* J. W. Garner, *Introduction to Political Science;* H. C. Adams, "An Interpretation of the Social Movements of Our Times," *International Journal of Ethics,* Vol. II (Oct., 1891), pp. 32–50, and his "Relation of the State to Industry," *Publications of the American Economic Association,* Vol. I (1887), pp. 465–549; C. R. Van Hise, *Concentration and Control;* S. P. Orth, *The Relation of Government to Property and Industry;* J. T. Young, *The New American Government and Its Work;* Annual Reports of the Federal Trade Commission and of other government bodies; R. T. Ely, *Socialism and Social Reform,* and *French and German Socialism;*

There are two contrasting points of view concerning the procedure by which a government, in its relations to business, can best promote the public interest. At one extreme is the view that there should be no interference with business in any way. This attitude rests on the assumption that, although individuals when unhampered by the government will seek their own selfish interest, this interest will in the long run make them act in ways that will prove advantageous to all. At the other extreme is the view that the state should closely regulate and control business, and even that it should own and operate industries.

Laissez faire.—The first point of view, the *laissez faire* policy, if carried to an extreme, would mean the absence of all governmental regulation or assistance of business. This view is seldom held. A more moderate view was expressed by Adam Smith in the third quarter of the eighteenth century:

> "All systems either of preference or restraint, therefore, being thus taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of society." [3]

This view leaves to government only the protection of society from violence, injustice, and oppression, and the performance of certain necessary public works which could not be profitably developed by private firms.

In contrast to Smith's view were the conditions actually ex-

John Rae, *Contemporary Socialism;* O. D. Skelton, *Socialism: A Critical Analysis;* John Spargo, *Syndicalism, Industrial Unionism, and Socialism;* C. E. Merriam, *American Political Ideals.*

[3] *Wealth of Nations,* Book IV, Chap. IX (Cannan's edition), p. 184.

isting just previous to his time, conditions against which he was protesting. Thus in marketing alone,

"In England, formerly, practically all combinations and almost all of the modern forms of commercial organization were unlawful. The business of the middleman was unlawful; the business of the modern wholesale grocer was unlawful. It was a criminal offense to buy food or victuals which were on their way to the market for the purpose of reselling them, or to buy, for purpose of resale, large quantities of goods at any time." [4]

Extreme Interference.—At the other extreme from the *laissez faire* policy are proposals for extensive state interference and activity in the realm of business. Opposite ends prompt the advocacy of this view. There are some who believe that only by the development of extreme forms of governmental control can business effort promote the greatest individual welfare. It is argued that individualism without government control causes business operations to be guided into channels which are not in the interest of the great body of the people, either collectively or as individuals. This seems to be the view of many socialists, as well as of many who are more moderate. Others who favor an extreme control of business by the government, desire it, not in the interests of individuals as such, but because they believe that the state as an abstract concept, or as the private interest of a ruling group, can in this way best be fostered.

II

The Relations of Government to Business.—In practice, both points of view—the *laissez faire* policy and the policy of extreme supervision of business affairs—exercise an influence on the everyday evolution and functioning of governments. And regardless of particular theories concerning their desirability, the governmental activities which affect business are now numerous.

[4] A. A. Bruce, "Laissez Faire and the Supreme Court of the United States," *The Green Bag*, Vol. XX (1908), p. 553.

(1) Some of these activities are primarily *negative* in their immediate effects. Their purpose is to prevent actions which are contrary to the public interest—such as the prevention of adulteration and fraud, the curbing of monopoly and restraint of trade, and the elimination of unfair competition. Specific examples are found in pure food laws, in the anti-trust acts, in certain sections of the Clayton Anti-Trust Act and of the Federal Trade Commission Act, as well as in a large body of common law doctrine. The Sherman Anti-Trust Act, for example, declares that

"Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states, or with foreign nations, is hereby declared to be illegal. . . .

"Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any person or persons, to monopolize any part of the trade or commerce among the several states, or with foreign nations, shall be deemed guilty of a misdemeanor. ... ."

Sections 2 and 5 of the Clayton Anti-Trust Act also deal with marketing topics. The provisions are in the spirit of those of the Sherman Act but are more specific. Thus in Section 2 it is declared,

"That it shall be unlawful for any person engaged in commerce, in the course of such commerce, either directly or indirectly, to discriminate in price between different purchasers of commodities, . . . where the effect of such discrimination may be to substantially lessen competition or tend to create a monopoly in any line of commerce."

Section 5 of the Federal Trade Commission Act states,

"that unfair methods of competition in commerce are hereby declared unlawful.

"The Commission is hereby empowered and directed to prevent persons, partnerships, or corporations, except banks [which are otherwise controlled], and common carriers subject to the acts to regulate commerce, from using unfair methods of competition in commerce."

(2) Then there is what may be called *"promotive"* intervention,[5] such as the enforcement of contracts, the enactment of laws which promote the formation of corporations and coöperative associations, and legal provisions for the limitation of liability on the part of certain classes of investors. Of as great importance as these, and fundamental to all efficient marketing, are the promotion and assistance of transportation —financial aid to shipping companies,[6] the exercise of the right of eminent domain to obtain rights of way for railroads and for opening new highways. Other important promotive efforts are the establishment of standard commodity grades, standard containers, and standard bills of lading and warehouse receipts, the law of sales, contracts, and the like. Of less importance, but of great usefulness, are the investigations of methods of marketing, and information and advice for those who are interested in marketing. The market news service of the Department of Agriculture and the trade promotion work of the Department of Commerce are further examples.[7]

(3) Finally, there are what are called *"mandatory"* acts of government, because of their positive compulsory nature.[8] Public utilities are compelled, to some extent regardless of the financial results to them, to charge only a reasonable price for their services—which is positively or negatively determined by administrative officials or legislatures—to treat all customers of a class alike, to serve all who will pay, to buy essential equipment, and to extend service when and where the public interest appears to governing officials to require it.[9]

[5] See H. E. Oliphant, "Legal Intervention in Business," in L. C. Marshall, *Readings in Industrial Society,* pp. 1015–1018.

[6] The desirability of such assistance is, of course, questioned by many people.

[7] See Chap. XVIII for a discussion of market news.

[8] H. E. Oliphant, *op. cit.*

[9] The acts of legislatures and administrative officers are, of course, subject to review by the courts. See J. T. Young, *The New American Government and Its Work,* Chaps. XV, XXIII; C. A. Beard, *American Government and Politics,* Chaps. XV, XXVI.

The marking of the content of certain foods and drugs on containers, as directed by the Pure Food and Drug Act, and the marking of the net contents of packaged goods on the package, are further examples. Finally, there has been considerable agitation in recent years for such things as the compulsory sale of products held for resale,[10] and the marking on containers of the prices at which producers sell.

III

The government activities which bear directly on marketing can be conveniently divided into three classes: [11] (1) those which are intended to elevate the plane of competition; (2) those which aim to control monopoly; and (3) those which are planned to promote the technical efficiency of marketing.[12]

[10] President Wilson included this suggestion in a message to Congress, Dec. 2, 1919. See *Congressional Record,* Vol. 59, p. 30.

[11] The first two parts of this classification were suggested by the articles of H. C. Adams mentioned in note 2, p. 475.

[12] Governmental action which is of direct importance to marketing can also be classified as affecting price, service, or quality. That is, we can base a classification on the effect that governmental activity has upon the three important measures which the consumer places on the market functionaries and the three important types of "selling point" which are used in the creation of demand. The following table is suggestive of this classification:

Outline of Government Activities: Basis of Selling Argument

1. Acts affecting prices
   - Price-fixing and rationing
   - Control of transportation rates
   - Inspection and grading
   - Food and drug control
   - Taxes
   - Acts affecting quantity—control of weights and measures
2. Acts affecting service
   - Enforcement of contracts
   - Control of transportation and storage facilities
   - Inspection and grading
   - Licensing business houses
   - Control of commission men of the agricultural market

(1) Efforts to Elevate the Plane of Competition.—The first group, comprising those efforts which are designed to elevate the plane of competition, purposes to retain the benefits which result from competition, and yet to exclude those manifestations of competition which seem to thwart the best interests of society.[13] There is no unanimity of opinion as to what forms of control the government should utilize in doing this, and there is no agreement as to just what constitute undesirable forms of competition. There is even no agreement as to the meaning of competition. To some, it implies the absence of all governmental interference in business, a clear field and no favors, with the "survival of the fittest." But under modern conditions a policy of this kind has frequently resulted in domination by the most powerful firms and combinations or by the least scrupulous competitors.[14] These are not, necessarily, those industrially and commercially most fit to survive, and so the interests of the general public are thought to suffer under these conditions. A good deal of state supervision of business, consequently, is necessary even to preserve the "benefits of competition." [15]

Although there is no general agreement as to just what forms of competition ought to be eliminated—in the sense that, in the long run, they are against public interest, as well as against the interests of particular competitors or consumers who are immediately concerned—there can be little question of the general principle involved. The reason for governmental interference rests primarily on the fact that these practices, when undesirable, cannot be effectively prevented by the aggrieved party—at least not without recourse to simi-

3. Activities affecting quality
   Pure food and drug acts
   Establishment of standards
   Laws against fraud and adulteration of products.

[13] Some of these forms of competition were described on pp. 466–472.

[14] Some illustrations of this point were described on pp. 466–471.

[15] The "benefits of competition" are reviewed on pp. 500–501.

lar acts, leading to further reprisals. They can be done away with, consequently, only by associative action or by means of governmental interference.

The Efforts of Associations.—Much has been done by associations of business men to prevent unfair competition. But membership in these is voluntary, and the members of the trade who use unfair methods may be the very ones who refuse to join an association or to be bound by its rules. In case they do join, they may exert their influence against wholesome regulations. Again, after regulations have been adopted they remain to be enforced. This may be impossible without the compelling force of the government.[16] Furthermore, trade associations are slow to develop regulations governing customs which are of primary interest to those outside the trade. The only redress for these is to go to court—a slow and costly process—to form associations of their own to combat these evils, or to "get a law passed" or an administrative agency established to protect their interests. This failure of the business men of a particular trade to meet the demand of outside interests for the correction of abuses often leads, consequently, to a resort to politics. Appeals are made to the legislature for aid, or politicians make the case of the aggrieved party their own. Then the legislature starts out to do what the trade itself should have done. Legislative action of this kind is, furthermore, often unwise, and frequently imposes onerous and unnecessary burdens on business.

[16] This is sometimes done, as when courts enforce decisions made by committees of produce exchanges in settling disputes between members, or even between members and non-members—when the latter have agreed to abide by the committees' decisions. The Chicago Association of Commerce is now using a scheme in which an impartial third party, hired by the Association, adjudicates business disputes. This plan is being adopted by other associations of business men, and the Chamber of Commerce of the United States of America has recently started the machinery for adjudicating disputes between parties in different localities.

When business men engage in fighting these bills, or in contesting unwise laws already passed, the general public receives an unfavorable impression of their attitude toward the public interest. It is an interesting commentary on the short-sightedness or innate selfishness of business interests that they so often appear to be fighting legislation, which was designed to meet generally recognized evils, rather than assisting in the solution of those problems. Large numbers of business men persist in practices, condemned by the public, and often by other business men, long after the obnoxious acts have been forcibly called to their attention. Yet, they should know that, in the end, legislation designed to prevent these acts is almost certain to be passed. And even though it is not passed, the airing of business practices, by prejudiced persons and by politicians, gives to the whole trade a reputation which is based upon the unfair methods of a few. It is even common for practices long since suppressed to be brought again before the public. Much of the present day sympathy with legislation designed to regulate the packers, the railroads, and produce exchanges, arises from the memory of practices long cast aside. The short-sightedness of the building trades in some of the larger cities at the present time is likely to react to their disadvantage for years—whether or not they reform their habits and whether or not the indictments now standing are proved. The inability of the railroads to deal with the rebate evil; the failure of the railroads, terminal elevators, and grain exchanges to solve effectively the terminal elevator problem;[17] the persistence of "big business" in flouting or ignoring the public interest—these are examples of questions which involve the relation of business to the public, and of classes of business with each other. In each case the failure of the parties involved to come to a suitable agreement has caused the government to restrict, regulate, and control.

[17] See J. E. Boyle, *Speculation and the Chicago Board of Trade,* pp. 97–113.

Finally, associations of business men may themselves develop undesirable business practices which the government must control. Among the most common of these is the making of agreements concerning prices, an act which is usually felt to be contrary to the public interest. The exact legal limits to the acts of associations in relation to prices have not yet been determined by the courts. But their efforts have frequently been held to overstep the bounds of public policy.[18] They must, apparently, be watched and controlled by the state.

Mandatory Acts which Elevate the Plane of Competition. —The enforcement of contracts and the tendency to moderate the rule of *caveat emptor* tend also to elevate the plane of competition. Business is dependent upon the enforcement of contracts. It cannot be carried on without a proper regard for contractual obligations. Trade associations have done much to standardize contracts and to provide machinery for arbitrating questions arising therefrom. But back of all, the power of the courts to enforce contracts looms as a restraining influence on the contract-breaker. The fact that a contract can be enforced at law is an important element in making such enforcement unnecessary, and consequently, in expediting business.

The increased variety of goods now offered for sale, the development of sale by sample and description, and the growth of large scale business, have made it necessary to mitigate the old rule of *caveat emptor*. Trade associations have also accomplished much in this direction. But for the protection of the final consumer and of many small traders it appears that only the state has thus far acted effectively. Good illustrations of legislation designed to protect the buyer, and in some cases the seller, from competition which leads to short weight, adulteration, and similar evils, are the pure food and drug acts of the Federal and state governments, the Federal meat inspection act, and the Federal Trade Commis-

[18] See pp. 389–390.

sion Act. The first, for example, is an attempt to prevent adulteration and misbranding, to make all drugs conform (in the case of the Federal act) to standards of purity determined by the national pharmacopœia, and to force manufacturers and vendors to state on containers of canned foods and patent medicines their content of dangerous drugs. The Federal act provides for an administrative agency, the Bureau of Chemistry of the Department of Agriculture, which is empowered to take the initiative in enforcing the act.[19] The regulation of weights and measures is another illustration of this kind of legislation, and somewhat in this vein is the Federal Produce Inspection Act passed in 1919. This law gives the Department of Agriculture power "to investigate and certify to shippers and other interested parties the quality and condition of fruits, vegetables, poultry, butter, hay, and other perishable farm products, when received in interstate commerce," [20] at important central markets. Other examples of state efforts designed to elevate the plane of competition are shown in Outline I.

OUTLINE I: GOVERNMENT EFFORTS TO ELEVATE THE PLANE OF COMPETITION

1. Establishment and enforcement of standards
   - *a.* Monetary regulation and banking laws
   - *b.* Standardization of money, credit instruments, weights, measures, and commodity grades
2. Restriction of unfair trade practices
   - *a.* Common law doctrine designed to maintain fair conditions of trade and competition
   - *b.* Control of trade practices
     - (1) Federal and state anti-trust acts
     - (2) Federal Trade Commission Act
     - (3) Legislation controlling the activities of produce exchanges and commission merchants

[19] See the annual reports of the Bureau of Chemistry.

[20] See *Rules and Regulations: Food Products Inspection Law of March 3, 1921,* Circular No. 155, Office of the Secretary, U. S. Department of Agriculture, August, 1921.

c. Control of transportation rates and services; allocation of cars; elimination of discrimination between persons, places, and commodities
d. Statutes concerning patents, copyrights, trade-marks

3. Restraint of fraud, adulteration, and the sale of harmful products
   a. Common law doctrine
   b. Pure food and drug acts (federal, state, and local)
      (1) City ordinances concerning the milk supply
      (2) Inspection of meat and cold storage products
      (3) Regulation of the duration of storage
      (4) Prohibition of adulteration of products
      (5) Prohibition of false labeling and false branding
   c. Control of weights and measures: including requirement of statement of net content of packaged goods
   d. Certain aspects of state control of banks, insurance companies, and building and loan associations
   e. United States Bankruptcy Act
   f. Blue sky laws

Legislation of the kind discussed in the previous paragraph has become necessary because the average consumer does not have the technical knowledge which may be necessary to protect him against adulteration, misbranding, and similar evils; nor does the average consumer, small producer, or vendor have the financial strength which is necessary to protect him against unfair competitive acts. The small volume of business involved in many transactions is another thing which may justify legislation of this kind. The average small buyer does not have the time to determine qualities, and his purchases are so small that it would prove too expensive to do so. He must, consequently, depend upon the integrity of the producer and vendor of the goods he purchases,[21] or upon a government which is looking out for his interests.

The important characteristic of legislation of this kind is that an administrative agency is created, charged with the duty of protecting the public. This agency acts not only upon

[21] See pp. 24–25 and pp. 400–401.

the complaint of injured parties, but upon its own initiative. It devotes its time to the protection of the public. This kind of activity is made particularly effective because it is possible for the administrative agency to prevent undesirable practices. This is in marked contrast to ordinary court action which, except in the use of the power of injunction, takes place after the act has been committed. Court action, moreover, is usually slow and expensive. The expense alone is commonly prohibitive, and the time involved is so great that redress in the courts may come too late to be of value to the injured party.

(2) **The Control of Monopoly.**—The second group of governmental activities affecting marketing, includes those efforts aimed to protect citizens against the encroachments of such monopolies as are the fruit of the industrial revolution.[22] That is, when the greatest industrial efficiency can be realized under conditions of complete or partial monopoly (whether local, sectional, or national) some form of control is necessary in order that the results of this efficiency may be assured to the public. This can usually be accomplished only through governmental action. Some businesses of this kind are what may be called "natural monopolies." They are usually businesses of increasing returns.[23] Monopolies, which are due to the privileges of the patent and copyright laws, or to the control of natural resources, are also among those which must be regulated in the public interest.[24]

[22] H. C. Adams, *op. cit., Publications of the American Economic Association,* Vol. I (1886), pp. 47–63.

[23] *Ibid.,* pp. 55–64.

[24] Efforts to break up those "monopolies"—commonly called "trusts"—which have been formed by private initiative to control competition or to remove it, are of the first class, i.e. to control competition. The Webb Act, providing for combinations in foreign trade, is perhaps an exception, since it provides for just such control as is described under the second class to be exercised by the Federal Trade Commission. For further information on this act see recent reports of the Commission.

OUTLINE II: EFFORTS TO CONTROL MONOPOLISTIC TENDENCIES

1. Sherman anti-trust act
2. State anti-trust acts
3. Federal Trade Commission Act
4. Interstate Commerce Commission Act
5. Acts regulating public utilities
   a. State railroad and warehouse commissions
6. Wartime activities for price-fixing and rationing in fields normally considered competitive.

Two important considerations are involved in the formation of monopolistic organizations, such as public utilities, and of combinations, such as the "trusts," which tend to become monopolistic. One reason for the public's acquiescence in the formation of the former is the increased effectiveness and economy which result from unified control and operation. The same reason is commonly advanced as a cause for the formation of combinations or "trusts." The other consideration is the desire of the owners of the monopoly or combination to gain control of the sources of supply of the service or commodity so as to control competition and price. It is now generally accepted, in the case of public utilities, that monopolistic conditions do lead to economy in operation and to more efficient service. But the abuses of monopoly are also recognized and the state regulates and controls service and charges in the public interest.

These conditions are not so generally accepted in the case of large industrial firms and combinations. The attitude of American legislatures continues to be one of opposition toward industrial combination. The evidence is not entirely conclusive that these large combinations lead to economies which are important enough to justify the monopolistic tendencies and unfair methods of competition which they sometimes exercise. The Sherman Anti-Trust Act and many state anti-trust acts have been based upon the idea that these combinations restrain trade and should be abolished. It is difficult to distinguish between combina-

tions which do exercise an unwarranted restraint of competition and those which do not. There seems to be a tendency, however, for the Federal courts in interpreting the Sherman Act to distinguish between combinations, or large corporations, operating as a unit and thereby achieving any possible economies arising from unified operation in production as well as distribution, and those loosely formed combinations whose operations are confined to efforts to control competition. In the case of the United States *v.* the United States Steel Corporation, the court held [25] that, although the corporation might hold a dominant position in the industry it had committed no acts in violation of the Sherman Act since the government's suit had been started, and also that to dissolve the corporation might cause financial and economic disturbance. Although the court did not discuss the point, this corporation is a single operating unit.[26] On the other hand the court held that the Hardwood Lumber Association was a combination in restraint of trade.[27] Its efforts controlled competition. And it was a combination of competing units which could not be compared with a single operating unit of large size, such as the United States Steel Corporation.

State Control of Competition and Monopoly.—The first two groups of government activity—those designed to elevate the plane of competition and to control monopoly—are primarily regulative and restrictive in their nature. Their purpose is to do away with abuses, or to control forms of busi-

[25] 251 U. S. 417. The case was decided March 1, 1920.

[26] This decision was not in accord with those rendered in the case of the Standard Oil Company (221 U. S. 1) and American Tobacco Company (221 U. S. 106) cases in 1911, but the majority held that these corporations had been law breakers from their inception, and there was no evidence of this in the case of the Steel Corporation. Two members of the Supreme Court did not take part in the case and the decision of the other judges was four to three. So the case may not become a precedent.

[27] See pp. 389–390.

ness activity which are socially advantageous if kept within proper bounds. Their intent is not primarily to promote the technical efficiency with which business is carried on. It should not be inferred, of course, that they do not tend to foster efficiency. That is usually the final aim. Their immediate purpose, however, is to control or regulate industry in the interest of the general public, whether that leads to greater or less technical efficiency at the time. In fact, the result of such regulation may retard technical efficiency; but when this is true, it is an incidental result of the effort to guide business into channels which are considered to be more consistent with the public interest.

There are thus certain types of state action which seem to be imperative. Among these is the exercise of the power to force public utilities—railroads, gas and electric plants, and public warehouses, for example—to give impartial service. This has apparently been impossible without government regulation. The proper functioning of business is now so dependent upon public utilities that even though recourse may be had to the courts when unfair methods are used the process is too slow and expensive—for business cannot wait. A chief purpose of railway control has been the prevention of unfair discrimination in rate-making and service as between competing persons and places.[28] Another important purpose is to prevent the development of monopolistic tendencies which the rebate policy tends to foster.

(3) Efforts to Make Distribution More Effective.—The third class of state relations to marketing consists of those efforts designed to increase the technical efficiency with which it is carried on. Many of these have already been described. There are a number of important activities leading toward better marketing in which independent business men, particularly those operating on a small scale, cannot engage. This is the case either because they have not the

[28] See J. T. Young, *op. cit.*, pp. 122–132; W. Z. Ripley, *Railroads, Rates, and Regulation,* Chaps. VI, VII, XIII–XVII, XIX.

resources or because legal authority is lacking. Among these activities are investigation and research into existing methods of distribution, the collection and distribution of market information, and the establishment of commodity standards.[29] For the great bulk of business men (including, of course, farmers) activity of this kind can be effectively carried on only by associative effort or by the government. It has been quite generally assumed that the state could perform such services most effectively. This is because of its financial resources and because government agencies are sometimes given the legal authority to collect information from private firms. The importance of these efforts is patent, but there has always been a question as to whether they should be carried on by the government.

OUTLINE III: EFFORTS TO PROMOTE EFFICIENCY IN MARKETING[30]

1. The establishment and enforcement of standards
   - *a.* Monetary and banking systems
   - *b.* Weights and measures
   - *c.* Standard containers
   - *d.* Commodity standards
   - *e.* Grading and inspection systems
   - *f.* Standard bills of lading
   - *g.* Standard warehouse receipts
   - *h.* Warehouse inspection and license
2. Compelling railroads to unity of action and improvement of service
   - *a.* Transportation Act of 1920
   - *b.* Public utilities regulation
3. City plans—providing for:
   - *a.* Better location of wholesale markets and railroad terminals
   - *b.* Establishment of "city markets"
4. Financial activities
   - *a.* Federal Reserve System
   - *b.* War Finance Corporation
   - *c.* State bank control

[29] See Chaps. XV, XVI, XVIII, XIX.

[30] It will be seen that many of the activities which aim to control competition also promote efficiency in marketing.

5. Research, statistical, inspection, and regulative activities
   a. Bureau of Foreign and Domestic Commerce
   b. Consular Service
   c. Federal Trade Commission
   d. Tariff Commission
   e. Bureau of Standards
   f. Bureau of Census
   g. Bureau of Markets (state and national)
   h. County advisors
   i. Universities (state and municipal)
6. Bounties, subventions, tariffs [31]
   a. Sugar bounties
   b. Ship subsidies
   c. Tariff restrictions
7. Restriction of activities of foreign business men in domestic and colonial markets
   a. Restrictions on foreign shipping in domestic ports
8. Financial aid to business men
   a. War Finance Corporation
   b. Moritoria
   c. Ship Subsidies
9. Enforcement of Contracts
10. Direct assistance to those engaged in marketing
    a. Issuance of government pamphlets advising of superior methods
    b. Parcel post
    c. State and Federal market bureaus
    d. Efforts of state market bureaus and postmasters to bring buyers and sellers together

The rapid development of trade associations among manufacturers, middlemen, and farmers, has shown that many of these activities can be successfully performed by associated efforts. If the consumer's coöperative movement spreads from Europe to this country and if the growth of trade and agricultural associations continues at the present rate, it is entirely possible that many of the activities now performed by state agencies, as well as others which are now proposed, will be taken over by these associations. Then

[31] No attempt has been made to place taxes in these groups. As a rule they should be considered as a distinct class.

the position of the state in relation to these matters would become purely regulative and mandatory.[32] That is, the government would control the associations' efforts in the public interest. It might also be called upon to arbitrate questions involving conflicts of interest between associations, and finally it might enforce decisions which had been made by arbitration boards under association rules.

[32] On this problem as related to market information see pp. 392–395.

CHAPTER XXIV

THE ELEMENTS OF MARKETING EFFICIENCY[1]

To criticize our marketing system, and to asperse those engaged in marketing has long been popular with reformers and demagogues. But, in view of the dearth of precise information, to criticize the existing market régime in more than general terms is scarcely warranted. Even to discuss intelligently the marketing of a specific product or the effectiveness of a particular market institution or agency necessitates the greatest care, because of this lack of accurate information.

In preceding chapters many of the points in the present system of marketing which call for criticism have been discussed, and the specific efforts which are being made to improve these conditions have been mentioned. It is the purpose of this and of the succeeding chapters to point out the elements of marketing efficiency which must be considered in evaluating particular market methods and institutions, to criticize certain aspects of distribution, and to point out certain ways in which improvement may be expected.

"Private" and "Public" Points of View.—Two points of view must be kept in mind in an attempt to analyze marketing efficiency. Such analysis may be directed from the point of view of the individual enterpriser, or of particular classes of business men. This is commonly called the private point of view. Investigations like those which have been carried on by the Bureaus of Business Research of Harvard and Northwestern universities are of this kind, as are most of the efforts

[1] Parts of this chapter are taken from a paper which was read at the Thirty-third Annual Meeting of the American Economic Association. This was published in the *American Economic Review,* Vol. XI, No. 2 (June, 1921), pp. 214–220.

of the United States Bureau of Markets, and of the bureaus of commercial research maintained by some large business and trade organizations. Other analyses are carried out by investigators who are not interested in increasing the profits of individual firms or of particular classes of private business organizations. Such investigators take what, for the lack of a better term, may be called the social or public point of view. Their aim is to study the social significance of marketing. In so far as they have any definite aim in mind other than the scientific search for truth, it is to determine how marketing can be carried on in such a way as to improve the economic status of the community as a whole. To these, marketing appears as a great mechanism for bringing goods and services from producer to consumer. This mechanism functions imperfectly at times and involves expensive processes. Consequently, it is worth study in order to determine whether it can be made to function more effectively and more economically.

The specific lines of research and even the immediate aims of those who take this latter point of view, frequently, perhaps usually, coincide with those who are interested only as individuals, or as the representatives of a large class of enterprisers. But whereas those with the individual perspective are interested because they seek a means to increase individual profits, these latter are interested in individual success only in so far as it tends to the development of a more effective and a more economical distributive organization. This second point of view is that of the following discussion. In the last analysis, this brings those who are individualistic in tendency to the position of the consumer. The social end of marketing, as of production, is to gratify the wants of consumers as effectively and as economically as possible. And so it is from the point of view of the investigator who sees marketing through the consumer's eyes that the component elements of marketing efficiency are here approached.

Components of Marketing Efficiency.—What, then, are

the elements to be considered in determining the efficiency of our market organization, and of the particular institutions of which it is composed? First among these must be considered the effectiveness with which the distributive service is rendered; then, the cost at which this service is performed, cost being understood to include actual expenses plus whatever profits are made by those engaged in marketing, whether they be producer, consumer, middleman, or functional agency. And, finally, there must be considered the effect which this cost and these methods of performing this service have upon production and consumption. In other words, to determine the efficiency of our market organization we must answer such questions as these: does the scheme meet our needs? do we pay more for the performance of this service, even though it is well done, than we should? what effect does our system of market distribution have upon production and consumption? If the system is effective but costly, it is inefficient. It is inefficient, too, when it is cheap but ineffective. And even though the mechanism as devised, results in the effective and economical distribution of commodities, it is not efficient if it exercises an unfavorable influence on either production or consumption.

Problems of Technical Efficiency.—It is evident that the first two elements of marketing efficiency, service and cost, must usually be studied as composing one problem, although the emphasis of a particular investigation may be upon service, or upon the actual money cost, or on the trade or speculative profits involved in the performance of the service. Most of the problems which are encountered, perhaps all of them, raise broad questions of technical efficiency. One group centers about the purely mechanical elements involved in transportation and storage. Among these are questions concerning the effectiveness of the facilities for shipping and warehousing, and concerning the mechanical equipment and physical layout of markets. Difficulties are caused by poor country roads,

limited railway facilities, congested terminals, and ill-planned wholesale market areas. One of the greatest problems in the market for agricultural products is found just here. How can the advantages derived from concentrating at these central markets the forces of demand and supply which operate over a wide area be retained; and at the same time, how can the disadvantages of the physical congestion of the market plants, which arise from the resulting tendency to force an enormous supply of actual goods through these markets, be eliminated?

Another group of problems concerns the methods by which title to goods is transferred from producer to consumer. Here are raised a number of questions of the most vital importance. Among them are those which relate to the efficacy of the market news service, upon which we depend to keep demand and supply in equilibrium; those which deal with the adequacy of the price system to correlate properly the various factors in production and marketing; those which concern the legal protection of the parties to an exchange; those which relate to the great costs involved in buying and selling—including the costs of standardization, inspection and grading, when these services are performed, the increased costs of bargaining, when they are not provided, and the enormous costs of demand creation. Here also center the problems which arise from the presence of market risks and the necessity for market finance.

These two groups of problems concerning the technical efficiency of our market machinery, one arising out of what may be called the purely mechanical efficiency of the plant, the other arising out of what may be called the trade efficiency of the system of bargaining, bear directly on those components of efficiency which are based on service and cost.

Effects of Market System upon Production and Consumption.—More difficult of analysis, but no less important, are the problems which relate to the influence of the existing

market institutions upon production and consumption. They involve some most interesting and illusive considerations—considerations which the business man and the economist learned to appreciate only when the World War magnified their difficulty and increased the need for their immediate solution.

They include such questions as the effect of the use of standard grades, when it results in improved products and increased stability of income to producers.[2] And here, too, may be considered the effect upon production when the market organization secures to the producer what he considers to be a "just share" of the final selling price of his product. Here is raised the whole series of questions concerning the results on production and consumption of market competition and of the effects of particular railway rate structures—basing points, postage stamp rates, commodity rates, rates based upon a compromise between value of the product, weight, distance, and the competition of other carriers and of outside markets. Here, likewise, can be considered the effect of finance and warehouse methods upon the production of perishable and seasonal commodities, as well as the reactions to large market areas which have caused the growth of large scale and specialized production. In connection with consumption, there is need to investigate the tendency for modern distributive methods to make available to consumers a large variety of commodities, and the tendency of modern selling methods to create in the mind of the consumer a demand for variety, quality, service, style, and seasonable goods.

Criticism of the Competitive Régime.—Most of the criticism of modern marketing is really pointed directly or indirectly at our competitive régime as it now functions. Even the important problems of the physical efficiency of transportation, and of the physical congestion of central market areas, are very closely bound up with the conditions of competition in a régime of private property. Most of the proposed reme-

[2] See pp. 247–248.

dies and reforms, which are of more than particular application, propose to eliminate our present competitive system; or else they involve proposals leading to an increase in existing forms of control on the part of the government, or to an introduction or enlargement of the control exercised by producers, middlemen, and consumers through some form of coöperation or combination.

It has been shown that demand and supply are not properly related.[3] As a consequence there occur what are popularly called periods of over- and underproduction. These may occur in many lines at a single time and may result in a general paralysis of business, or they may be found with certain products or in certain markets, as when there is a larger supply of apples than the market demands, or when there is an excess supply of perishable fruit dumped into a particular market on a Saturday afternoon. It is contended, likewise, that the system is so developed that the physically best or nearest producing areas are often kept from supplying their logical markets, because no adequate means of contact has been established or because transportation rates are constructed with a view to bringing distant areas into more favorable competitive relationships. Again, consumers are so played upon by the competitive efforts of merchandisers that they are held to have developed unwise and extragavant demands. It is further contended, and often proved, that of a given price at a given time the producer (and in particular the farmer) gets too small a share. Or it is held, conversely, that, with the producer receiving a particular price, the consumer is forced to pay more than he should; or, again, that the producer may have goods to sell and the consumer desire to purchase them, but the market machinery fails to bring about an exchange. Two causes are, of course, given for the large spread between producer and consumer: inefficiency of method, and the opportunity for withholding too large a margin of profit by the various intermediaries involved.

[3] Chap. XVII.

Either may be the result of the failure of our competitive régime to develop effective methods and to keep prices down to a proper margin of profit.

Other wastes, which in some cases can be placed at the door of the competitive régime, but which, more often perhaps, are due to a failure to develop effective and economical mechanical equipment, are those which occur when it does not pay producers to harvest and market products; when products deteriorate en route to market or after reaching it; and when products occasionally are allowed to perish, even when they are well on their way to the final consumer, because it does not pay those who hold them to carry them further.

It is evident from these illustrations that many of the criticisms now leveled at the market organization hit at the heart of our competitive régime—the effectiveness of the price system. It is generally held by apologists for the existing state of affairs that economic progress is greater under a régime of competition than it is conceivable it could be under any other, known or proposed. Briefly, the argument is that the best men and the best processes and policies evolve, and that the goods and services which are wanted, are produced most effectively and most economically. As applied to marketing this means that the most efficient firms will survive, that the best channels of distribution and the best methods of selling will prevail, and that commodities in the amount, kind, and quality demanded will be placed upon the market. Finally, as regards price and cost, competition will reduce price to costs, including a reasonable (socially necessary) profit, but still maintain it at a point which will insure the required production. This ideal comes very far from being realized, however, especially when conditions are changing so rapidly that attempted solutions of problems of production and marketing are often out of date by the time they are fully evolved. In consequence, the process of selection when working through price is, in times like the present, slow and expensive, for competition is slow to weed out the inefficient producers and

distributors and their methods. But the advocates of the existing system, while recognizing this, hold that it is the best scheme of production and distribution which has been devised, and argue that many of the proposed remedies, such as socialism and the use of combinations tending toward control of particular kinds of industry, whether by manufacturers, by agriculturalists, by middlemen, or by consumers, will bring greater evils than are these wastes of competition.

A large group of investigators has long since taken it for granted that the competitive régime as we know it is inadequate and must be supplemented or abandoned.[4] True, the point has not yet been reached where the schemes for the complete abandonment of competition need seriously be considered as a practical program. But there is a dominant feeling to-day that, while we may depend upon competition to maintain and increase private efficiency, that is, the efficiency of the individual entrepreneurship, something more is necessary to bring about a proper correlation between individual activities, particularly between the efforts of producers or consumers of specific products, and so to promote general efficiency. As an eminent investigator has said, "Coördination within an enterprise is the result of careful planning by experts; coördination among independent enterprises cannot be said to be planned at all." [5]

Importance of Service.—In any criticism which may be made, the investigator must be careful to balance properly the service rendered against the cost. Too often the former is forgotten. If the buyer demands service he must pay. Censure should sometimes be leveled at him rather than at those who render the service or at the market system. That is, the consumer should be censured unless the very activities of

[4] The reasoning of one group of critics is clearly set forth by C. R. Van Hise in *Conservation and Regulation in the United States During the World War* (1917–1918); see also Chas. P. Steinmetz, *America and the New Epoch* (1916), for an entirely different kind of proposal.

[5] W. C. Mitchell, *Business Cycles*, p. 38.

those who render the service, or of others back of them, tend to increase his demands for service. And even then the critic must be certain that the service itself is a bad thing or less desirable than something which has to be foregone, or that it is inefficiently performed or allows undue profits to be accumulated.

If there is a wide spread in price between producer and ultimate consumer, if 50 per cent or more of the final price of an article is the marketing cost, this does not necessarily indicate either inefficiency or excessive profits. On closer examination it may be found that neither of these evils is present, that the service is actually costly. Or it may be found that what is done warrants an investigation, not of the market, but of human desires, or of modern large scale methods of production, or of the nature and effects of modern railway rate structures. It is evident that the relative cost of marketing most commodities has increased in recent years and that relatively more individuals and more capital are engaged in distribution.[6] In so far as this is a result of modern conditions in production and consumption, our investigation should start there. But in so far as our modern distributive system has operated to bring about these conditions in production and consumption we return whence we started, and our field of investigation is the market organization.

The Determining Conditions of Modern Marketing.—Any investigation of market efficiency should start with certain facts clearly in the investigator's mind. Just so long as we have large scale production and specialized producing units and production areas, just so long as consumers congregate in small areas far removed from the source of the products which they demand, and just so long as we possess wants which can be gratified only with products from remote sources, or products perishable physically or commercially, just so long we must have large markets and a large and intricate

[6] Nystrom has gathered some interesting data on this point. See his *Economics of Retailing* (2d ed., 1919), pp. 338–345.

market organization. And the larger producers become, the more specialized production and production areas develop, the more consumers congregate and the more numerous their desires become, the more important, and probably the more costly, the market machinery will be. It must be recognized, for example, that the benefits of specialization in production are in part offset by the increased costs of distribution, which are necessary to bring about the proper coördination between the work of the specialists. And this refers not merely to the cost of physical storage and delivery, but to the increased cost of financing, to the increased market risks which must be borne, and to the increased sales effort which the larger producer feels that he must make in order to minimize these risks. A point is soon reached in some industries where the increased costs of distribution—particularly those of transportation—offset any advantages of large scale production.

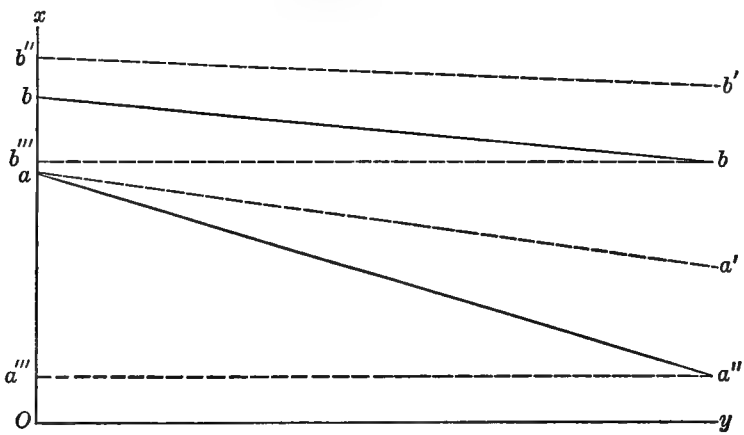


DIAGRAM VIII

Diagram VIII illustrates this point in a graphic manner. The total costs of production and marketing are measured along the line XO, and the passage of time during which large scale specialized production is developing is represented from left to right along the line YO. The line

aa″ represents the decreasing cost of making a product formerly made in the home,—(and so with no costs of marketing) as clothing, butter, bread; and the line

aa′ in relation to the line aa″ represents the increasing cost of marketing the product as large scale production develops. The line

bb represents the declining costs of making a product—which, however, was *not* made in the home—as larger scale production is used, and the line

b″b′ in relation to the line bb represents the increasing costs of marketing it as an increasing scale of production is introduced.

It is conceivable that the difference between bb′ and bb″, representing increasing costs of marketing, may become great enough to offset bb‴, representing the declining costs of production; likewise, that the amount a′a″, representing the marketing cost, may become greater than aa‴, representing declining costs of production. That is, the increased cost of marketing which may become necessary with increasing scales of production, may be greater than the reductions in the cost of production. In this case the *total* cost would be greater than it was originally.

It may be that society will some day discover that it must consciously balance against such increased costs of marketing not only the advantages of large scale production, but the advantages of further specialization by producing areas, and the pleasure the consumer derives from variety and service, just as individual consumers are constantly doing.

CHAPTER XXV

THE COST OF MARKETING

The purpose of the present chapter is to discuss some of the more specific criticisms of the marketing system. One of the chief indictments is that distribution is too costly—that too much of the consumer's dollar is absorbed in marketing, or that the producer receives too small a part of that dollar. It was shown in the last chapter that if this is true, it may be (1) because the expenses involved are greater than the service performed by the market machinery warrants, (2) because too much service is rendered, or (3) because those who render the service obtain too large a profit, over and above the expense they incur. With a commission composed of eminent engineers, headed by Mr. Herbert Hoover, implying that production, which has been studied scientifically by trained engineers for more than half a century, is often only 50 per cent efficient,[1] it would be surprising indeed if marketing, which has been studied scientifically for not over a dozen years, and by a much smaller group of men, largely self-trained, were not found to be far short of the maximum of effectiveness. Since the nature of marketing is largely determined by the conditions of production, and since much of the present market machinery was unnecessary until modern production methods were developed, it is but natural that the scientific approach to marketing should have lagged behind the scientific study of production engineering.

Cost of Marketing.[2]—Business men and the public are

[1] *Waste in Industry* (1921), by the Committee on Elimination of Waste in Industry, of the American Engineering Societies, p. 9.

[2] The terms "cost" and "expense" are used interchangeably in this chapter.

interested in the costs of marketing for the same reasons that they are interested in the costs of production. The actual costs must be covered by selling prices if the product is to continue to come on the market. When there is an excessive spread between the cost of production and the selling price, a knowledge of selling costs makes it possible to determine at what points profits are made, and so serves at least as a starting point for determining whether these profits are excessive.[3] For if the margin between the cost of production—or rather the price which the producer receives, which in many cases really includes some marketing costs and some profits—and the final selling price can be determined, and if it can be shown how this margin is divided between the market functionaries, it clarifies the study of market costs, and may point to the weak spots in the market machinery. Detailed study of the weakest elements and of the more expensive would logically follow.

The existing information, unfortunately, is to a large degree unsatisfactory for use in answering such questions as these. It does serve, however, to point to some of the expenses involved, to show some of the conditions under which these would increase, decrease, and vary, and to throw some slight light on those activities which hold out the greatest hope for economy. It has already been shown that to generalize as to the efficiency of the general market machinery is impossible.[4] It is even relatively impossible to generalize as to the agricultural market, or the manufacturers' market, and often, because of the many and varying conditions surrounding its sale and distribution, it is impossible to generalize as to the efficiency with which any particular product is marketed. Large and small producers may be selling to large and small middlemen, who operate in large and small cities,

[3] Since expenses vary with individual firms, generalizations on profits are very difficult to make. Insufficient published data of this kind are at hand.

[4] Pp. 494, 501.

under differing conditions of costs and demand. And products vary among themselves as to perishability, the nature of the transportation and storage facilities needed, the risk arising from changes in market prices, the volume of sales, degrees of standardization, and seasonalness.

The Lack of Cost Data.—Data concerning the cost of most of the services involved in the performance of the specific market functions are not available.[5] But there is, nevertheless, sufficient information to throw light on a few points. The greatest amount of cost data is available in studies which have been made of the marketing of agricultural products, and of retail distribution. There are few figures in the manufacturing field which can be used, particularly concerning the marketing costs of the manufacturer himself; and where such studies have been made they are either not generally available for publication or else they are unsatisfactory.[6] Because of the paucity of data on actual expenses, the only attempt made here will be to show the margins on which some of the middlemen of certain classes have been shown to operate. Since the greatest interest centers in goods for personal consumption, and since more information is available concerning their distribution, the present discussion will be confined mainly to them.

Throughout previous discussions goods have sometimes been classified on one basis and sometimes on another. Commodities have been divided into consumption goods, equipment, and production goods. The latter have been divided into raw materials, semi-manufactured goods, fully manufactured goods to be assembled, and supplies. At other times distinction

[5] Specific rates for railway transportation, warehouse rates, bank discounts, etc., are available. But middlemen and producers perform these functions to a large extent, and few figures are available concerning their costs.

[6] Some valuable information has been collected recently by the Federal Trade Commission, and its work continues to develop. In the field of retail distribution valuable contributions are being made by the bureaus of business research of Harvard and Northwestern Universities.

has been made between farm products and manufactured goods. And, finally, a rough distinction has been made between staples—goods which are "bought"—and specialties—goods which are "sold." In the discussion which follows each of these classifications will be used.[7]

I

Cost of Marketing Farm Products.[8]—In the sale of farm products the process of concentration is of greater importance than it is in the sale of most other raw materials or of manufactured goods.[9] And it is in the marketing of farm products, destined for sale in the original state to final consumers, that the process of concentration followed by dispersion is found most fully developed. With farm products the channel of distribution sometimes has many and sometimes few steps. The typical case for consumption goods is one in which four middlemen appear: country shipper, wholesale receiver, jobber, and retailer. The evidence at hand indicates that of these four steps the one attended with least expense is the wholesale handling by the receiver.[10] Concentrating in the country and jobbing in the city cost a little more, and retailing is the most expensive part of the whole process.

A study of a number of investigations into the cost of retailing warrants the generalization—for the present purpose—that retail margins run close to one-third of the final price

[7] The last two distinctions will be developed in greater detail. This is partly because some of the points which could be made concerning the first classification were touched upon in Chap. XXI.

[8] See L. D. H. Weld, *The Marketing of Farm Products,* Chaps. IX and X, on the cost of marketing farm products.

[9] See pp. 39–42, and 115–117.

[10] See Table VIII, which is used only for illustrative purposes.

TABLE VIII. *Typical Dealers' Margins on Produce Commodities* *

	Shipper (per cent)	*Receiver (per cent)*	*Jobber (per cent)*	*Retailer (per cent)*
Butter	5–10	1–5	4–7	10–15
	....	1.1	4.8	13.9
	....	5.6	....	11.7
Poultry	5–10	2.5–5	5–15	10–25
	....	11.9	....	20
Eggs	5–20	1–5	3–10	10–20
	4.3	....	12.7	14.7
Cheese	....	4.8	10.2	21.9
Potatoes	10–20	1–5	5–15	15–25
	14.3	4.3	8.8	26.0
Strawberries	5–10	5–7	5–15	10–30
Oranges	....	2.6	12.3	33.3

* "That is, the percentage which the dealer's charge or increment is to the price which he gets for the goods, *not percentage of the consumer's price.* The writer believes that this method is better for our purposes, as showing the ratio of the marketing expense to the *value of the goods handled.* The message of the figures is not, however, entirely clear, owing to the fact that in several cases the margin represents the total 'mark-up' and does not differentiate waste from actual costs of marketing." The table and the explanation are taken from E. G. Nourse, *The Chicago Produce Market* (1917), p. 122.

which the consumer pays for his goods.[11] It seems reasonable to believe that the cost of retailing farm produce, especially perishables, is at least as high as this. However, figures in Table VIII are lower than this, as are figures cited by Weld.[12] But even if these lower figures are accepted as typical, they are, nevertheless, so high as to warrant the generalization that retailing is the most expensive step.

Further Expenses of Marketing Farm Products.—Other important costs in marketing agricultural products are the physical distribution of the product—hauling and other transportation, storage, and, in the case of perishables, refrigeration, pre-cooling, and cold storage—and the waste which results from ineffective market news.

Despite rapid transportation, refrigeration, and costly systems of obtaining market information, a great many perishables spoil through failure to reach the right market in time.

[11] Some of the figures in staple (and so low-cost lines) are given on p. 515.

[12] L. D. H. Weld, *op. cit.*, Chap. IX.

And whether highly perishable or not, farm products have even been allowed to spoil because it did not pay the growers to market them or the dealers to sell them in the market they were in, or—because of low prices or perishability—to send them to other markets where prices were better. The cause of variations in price between markets which bring about losses of this kind is, unless the goods are extremely perishable, the inadequacy of the market news service. Too many shippers have sent their goods to a given market, and so there are more goods in that market than it will absorb at a profitable price. Lack of information may also cause under- or overproduction of commodities.

Other weaknesses in marketing agricultural products have been mentioned from time to time in previous chapters.[13] These problems start at the farm with the failure of the grower to raise the products for which he is likely to find the best market; his failure properly to sort, grade, and pack his product, and his general lack of market knowledge.[14] Some of these same difficulties are found at country shipping points where there may also be inefficient shippers, too many or too few shippers, or monopoly conditions. One very great item in marketing most agricultural products is the cost of hauling on country roads. The obvious remedy for this is to improve the methods of transportation, and this is being rapidly accomplished through better roads and by the use of the motor truck.

It has been pointed out that there are opportunities for fraud and unfair competition,[15] that wholesale districts are often congested and physically inefficient, and that customs, grades, methods, packages, vary as between markets, making

[13] See also Weld, *op. cit.*, Chap. XXI; "Reducing the Cost of Distribution," *Annals of the American Academy,* Vol. L, No. 139 (Nov., 1913); Nourse, *The Chicago Produce Market;* and the *Report of the Federal Trade Commission on the Wholesale Marketing of Food* (1920).

[14] See pp. 36–37.

[15] See Nourse, *op. cit.*, pp. 59–60

standardization difficult.[16] All of these latter evils are more or less specific, applying to certain products or to some products in a few markets.

Total Costs.—The cost of agricultural marketing has been estimated as ranging from 15 to 65 per cent of the price paid by the consumer.[17] The higher costs prevail in the case of perishables. Thus the cost of transportation alone of California fruit amounts to 20 per cent of the final retail price, whereas for most products, the United States Department of Agriculture has estimated that but 7 per cent goes for transportation costs. The cost of wholesaling farm products is relatively low, varying from 5 to 10 per cent for such staples as corn, wheat, and cotton, and ranging somewhat higher in the case of perishables. Is is obvious that no safe conclusions of a general nature can be drawn either concerning the average cost of marketing, or regarding the average efficiency of marketing. Perishability, waste, and shrinkage, varying quantities that are shipped and handled, effectiveness of market information, extent of competition, seasonalness, the extent to which grading and inspection make sale by description or sample possible and so eliminate the cost of bulk inspection and sale—these are all important factors in determining the efficiency and the cost of marketing, and they vary greatly in their effects as between different products, different markets, and different seasons of the year.[18]

II

Marketing Manufactured Products: Staple Lines.—It has been shown that the cost of selling manufactured goods which are in the nature of special equipment or consumption goods is very high. In their physical distribution, it is largely

[16] One of the best recent criticisms is found in the *Report of the Federal Trade Commission on the Wholesale Marketing of Food* (1920).

[17] See footnote 13, p. 276.

[18] An excellent discussion of the difficulties involved in studying costs of marketing will be found in Nourse, *op. cit.*, pp. 118–128.

true that farm products, since they are more perishable and usually more seasonal, are more difficult to market. But these problems are understood and their solution by mechanical means is well on its way. In the field of selling there are distinct general differences between agricultural products, particularly the staples, and manufactured goods for personal consumption.[19] For example, estimates taken from government reports on certain staple industries indicate that (1) in the hosiery business, the cost to the manufacturer of selling to the retailer varied from 1 per cent to 29 per cent of the manufacturers' selling prices, with an average of 8.31 per cent;[20] (2) for knit underwear it was 2 per cent to 25 per cent, averaging 6.87 per cent; (3) for shirts and collars, 2 per cent to 18 per cent, averaging 5.88 per cent. To such costs, must be added the costs of retailing which can be safely set at 25 per cent,[21] or more of the final price paid by the consumer. The total cost of selling the products of the International Harvester Company was estimated by the Commissioner of Corporations at 17 per cent of its sales, and to this, for purposes of comparison, must logically be added interest on the money invested in the sales efforts (which, however, there is no way to estimate) and the costs of retail distribution. Of the price paid by the consumer for a pound of beef in 1920, 63.6 per cent was paid to the producer, 9 per cent was the packer's margin, and 27.4 per cent the retailer's margin.[22] Thus, it seems that in the case of these staple products, there is a selling cost of from 30

[19] The true distinction here is between consumption goods and production goods, but manufactured goods for consumption serve as a good illustration of consumption goods.

[20] U. S. Bureau of Foreign and Domestic Commerce, Reports in the "Miscellaneous Series," on the hosiery industry, knit underwear industry, collar industry, etc.

[21] It should be said that this retail cost is really a joint cost that cannot be readily differentiated for specific products handled in particular retail stores.

[22] Swift and Company, *Year Book*, 1920, pp. 44–47.

per cent to 55 per cent of the final selling price, if we include the general estimate of 25 to 33 per cent for retail selling costs.

Cost of Marketing Specialties.—Fewer facts are available concerning the cost of marketing manufactured specialties but even generalizations which are fairly accurate serve the immediate purpose. It is believed that the cost of marketing such manufactures ordinarily is equal to the production costs, if it is not, indeed, far greater. That is, over one-half the price paid by the consumer goes to pay for the cost of selling the product. These costs are largely for demand creation; that is, for the creation of demand for new products that consumers are not in the habit of buying. But much of the cost is a competitive cost for diverting competitors' custom or for sustaining the manufacturer's custom from the diverting activities of his competitors. In some cases a retailing cost is incurred by the manufacturer. For instance, many specialties, such as typewriters,[23] adding machines, and cash registers, are sold by manufacturers directly to consumers. This means that the cost which would correspond to the retail cost of selling must be very great, because the selling overhead must be apportioned upon a relatively small number of products in a single line.[24]

In the sale of an article which consumers are not in the habit of buying, a demand must, in the first instance, be created—usually by the manufacturer. That is, the consumer must be *sold;* he does not go shopping for such goods of his own free will as he does for staple goods. The competitive cost of marketing specialties is thus greater than that for marketing staple necessities for which the demand is relatively inelastic. This is because there is, in addition to the problem of competing with sellers of the same kind of product, the further problem of competing with sellers of

[23] It is claimed that marketing expense accounts for four-fifths of the price of some typewriters.

[24] For an understanding of this, the reader is referred to the discussion of manufacturers' middlemen and their services, in Chaps. VIII and IX.

other products, which may be used as substitutes. There is, too, the additional problem of competing with vendors of products which are not similar, but which are, nevertheless, competing for that part of the consumer's purchasing power which is available over and above his needs for the necessities and conveniences that have become staple.

III

The Cost of Retailing.[25]—The most expensive unit in the distribution of goods for personal consumption is the retail store. The average cost of retailing staple commodities ranges from 20 per cent to 50 per cent of the price paid by the consumer, and a very common cost is 30 to 35 per cent.[26] Figures of this kind prove nothing of themselves concerning the effectiveness of retailing. They do show, however, that we pay heavily for the retailer's service. Furthermore, the range in expenses of stores of substantially the same character is so great as to warrant the belief that a large percentage of our retail stores are operated at an excessive cost. Again, if the rate of stock-turn is accepted as an important measure of retail efficiency, the same conclusion must be drawn. This conclusion is borne out by the figures cited in Tables IX, X, and XI.

[25] For a number of wholesale margins see Tables V and VI, pp. 150, 152; 518, and the *Report of the Federal Trade Commission on the Leather and Shoe Industries* (1919), Chaps. V and VI.

[26] The National Retail Dry Goods Association, in a table accompanying their *"Resolutions Against 'American Valuation'"* (Oct. 14, 1921), use 33⅓ per cent as the "approximate" retail mark-up. This figure is commonly used. See also P. T. Cherington, *Advertising as a Business Force,* pp. 209–210, 382–383, 386–390. Many of the figures concerning retail margins are difficult to interpret, because it is not evident whether the margin mentioned is the maintained gross profit, or whether it is simply a mark-up, subject to reductions for sales, and other causes.

TABLE IX. *Retail Margins* ‡

Type of Store	*Lowest*	*Highest*	*Common, "Attainable," * or Average*
	%	%	%
Retail grocery stores [1]	14.6	27.9	21.0
Retail grocery stores [2]	10.5	26.04	16.9
Retail grocery stores §	....	....	15.3
Total net sales			
Under $20,000 per annum	....	....	18.3
$20,000, under $50,000	....	....	14.2
$50,000, under $100,000	....	....	14.0
$100,000 and over	....	....	16.2
Retail shoe stores [3]	18.0 ‖	35.0 ‖	20 ¶–25 ‖
Retail shoe stores—selling low-priced shoes, i.e., up to $3.00 for men and $3.50 for women, on the pre-war basis [4]	18.3	40.4	25.7
Retail shoe stores—selling medium-priced shoes, i.e., from $3.00 to $6.00 for men and $3.50 to $7.00 for women, on the pre-war basis [4]	14.23	42.8	26.6
Retail shoe stores—selling high-priced shoes [4]	21.3	41.5	34.8
Shoe departments of department stores [4]	12.6	39.1	28.1
Chain shoe stores [4]	12.5	45.5	28.4
Retail hardware stores [5]	12.75	40.2	26.5
Retail clothing stores [6]			
Total net sales			
Under $40,000	Under 10‖	50–60 ‖	10–25 ‖
$40,000–$80,000	Under 10‖	30–40 ‖	15–20 ‖
$80,000–$180,000	Under 10‖	40–50 ‖	15–20 ‖
$180,000 and over	10–15‖	40–50 ‖	20–25 ‖
Coöperative stores [7]	10.5	24.4	17.7

‡ Gross profit unless otherwise shown.

* This is not an average but the figure about which the expenses of enough stores center to warrant considering it as an attainable figure for all stores of the class.

[1] Harvard Bureau of Business Research, Bul. No. 5 (1915).

[2] *Ibid.*, Bul. No. 13 (1920).

[3] *Ibid.*, Bul. No. 1 (1913).

[4] *Ibid.*, Bul. No. 10 (1918).

[5] *Ibid.*, Bul. No. 12 (1919).

[6] Northwestern University Bureau of Business Research, *The Survey of the Retail Clothing Industry*, Vol. III (1919), p. 262.

[7] Bexell, Macpherson and Kerr, *A Survey of Typical Coöperative Stores in the United States* (U. S. Department of Agriculture, Bul. No. 394, Nov. 3, 1916), p. 24.

§ Theodore Macklin and P. E. McNall, *What the Retailer Does with the Consumer's Dollar*, University of Wisconsin, Agricultural Expt. Sta., Bul. No. 324 (Jan., 1921).

‖ Total expense.

¶ That is, 20 per cent for stores selling "low grade" shoes and 25 per cent for stores selling "high grade" shoes.

TABLE X. *Annual Rates of Stock-Turn*

Type of Store	*Lowest*	*Highest*	*Most Common*
Retail grocery[1]	1.8	27.07	7.9
General merchandise[1]	0.86	13.1	2.4
Retail hardware[2]	0.85	5.75	1.8
Retail shoe stores[3]			
Selling low-priced shoes—up to $3.00 for men, $3.50 for women	0.6	4.77	1.6
Selling medium-price shoes—from $3.00 to $6.00 for men, from $3.50 to $7.00 for women	0.7	5.1	1.7
Selling high-price shoes—$6.00 and over for men, $7.00 and over for women	0.92	2.33	1.5
Shoe departments of department stores	0.89	3.1	1.5
Chain shoe stores	1.1	4.6	1.7
Retail clothing stores*			
Total net sales			
Under $40,000	0.6	5.0	1.0–1.5
$40,000 to $80,000	0.8	5.1	1.5–2.0
$80,000 to $180,000	0.8	6.3	1.5–2.0
$180,000 and over	1.2	6.1	2.0–3.0
Total (all stores)	0.6	5.0	1.5–2.0

[1] Harvard Bureau of Business Research, Bul. No. 13 (1919).
[2] *Ibid.*, Bul. No. 12 (1919).
[3] *Ibid.*, Bul. No. 10 (1918).
* Northwestern University Bureau of Business Research, *The Survey of the Clothing Industry*, Vol. V, p. 470. (The low and high figures are not yet published.) The figures are for 1919.

TABLE XI. *Stock-Turn in Department Stores* *

Department	*Lowest*	*Highest*	*Median*
Books	2.53	3.79	2.60
Boys' clothing	1.82	8.40	3.52
" furnishings	3.60	5.21	..
Furniture	1.14	6.10	3.40
Men's clothing	2.40	7.70	4.42
" furnishings	2.20	5.43	3.30
Millinery	4.21	14.40	8.70
Women's suits	5.70	18.30	9.15
" dresses	5.14	16.90	9.10
Shoes, Men's	1.93	4.60	2.70
" Women's	2.52	4.50	3.13
Silks and velvets	2.60	4.80	2.80
Stationery	2.00	3.40	2.89
Waists	3.70	8.40	7.70

* Figures are for departments of stores doing an annual volume of business of $7,500,000 and upwards, five stores reporting. Taken from a chart compiled by the Bureau of Research and Information of the National Retail Dry Goods Association (1919).

IV

Costs of Marketing Production Goods.—Production goods seem to be marketed with relative efficiency.[27] One of the great costs found in marketing consumption goods and special equipment, namely, demand creation and the competitive selling costs which so often accompany it, is almost absent in the sale of production goods. This is true because they, as well as standard equipment, have characteristics which are commonly well known to buyers and sellers, and which are easily determined through the use of established methods of grading and inspection.[28] It is also due in part to the fact that in their exchange both parties to a sale are efficient traders and are able to judge well the value of the merchandise. The size of individual transactions, moreover, usually warrants the expenditure of considerable time in determining qualities and characteristics and in arranging the conditions of sale. Superior products are, consequently, sold for higher prices than inferior products, and the exchange is transacted rapidly and efficiently. Stress is laid on the elimination of waste and of undue costs: that is the type of "service" which is demanded. There is little need or opportunity to stress the fact that Brown's bushel of wheat or Brown's steel bar is better than Smith's, for, if Brown's product is superior, the conditions are present which assure that it will be sold for more than Smith's.

Conclusions.—The data shown in this chapter are used only to point to a few broad generalizations of importance to any criticism of the cost of marketing. They have been cited simply to show certain typical tendencies. Since these—and other data like them which could be advanced—were gathered under diverse conditions, for differing purposes, and with

[27] In recent months, however, some farm organizations have held that immense loss comes to producers because of the lack of "orderly marketing" on the part of producers. See pp. 257–258.

[28] See Chap. XXI.

varying degrees of accuracy, conclusions of too specific a nature would be unwarranted.

The data serve, however, to illustrate, first of all, that the retail margin is the largest margin taken out by any class of middlemen. In fact, this margin is often as great as all of the other marketing expenses together, or even greater. The jobber's margin is commonly in the neighborhood of one-quarter to one-half of the retail margin, seldom more and often

TABLE XII. *Wholesale Margins* §

Type of Store	*Lowest*	*Highest*	*Common*
	%	%	%
Wholesale grocery *	6.08	14.9	11.0
Wholesale grocery †	7.7	17.2	12.0

§ Gross profits.
* Figures for 1918. Harvard Bureau of Business Research, Bul. No. 14 (1919).
† Figures for 1916, *Ibid.*, Bul. No. 9 (1917).

TABLE XIII. *Stock-Turns of Wholesale Dealers*

	Lowest	*Highest*	*Common*
Wholesale grocery [1]	2.8	11.6	5.7
Wholesale grocery [2]	2.48	19.03	5.2

[1] Harvard University Bureau of Business Research, Bul. No. 9 (1917).
[2] *Ibid.*, Bul. No. 14 (1919).

less. In the second place, there is a considerable variation in retail margins and in the rate of stock-turn in the same kind of stores. These facts are shown in Tables IX and X. These variations are so great that they cannot be accounted for on the ground that the fundamental conditions are different. They point undoubtedly to variations in the efficiency with which retailing is carried on. Table XII and Tables V and VI [29] show that the same thing is true of wholesale expense, but since the margins are smaller the variations are less. Furthermore, jobbing must be conducted very largely

[29] Pp. 150–152.

on a price basis, and less on a service basis than is retailing. This forces jobbers to reduce their expenses and tends to keep the expenses of all competing jobbers at about the same figure. Finally, these figures illustrate, also, the high cost of selling consumption goods.

CHAPTER XXVI

FINAL CRITICISM

I

The Wastes of Competitive Selling.—The two fundamental methods of selling are personal salesmanship and advertising. Of these, advertising is more usually singled out for adverse criticism, on the ground that it is a wasteful, extravagant means of competition. This is unfortunate, for much of this criticism, although it is directed at advertising, is really criticism of certain marketing polices of which advertising is simply one expression. Advertising is employed instead of, or to accompany the use of, personal salesmanship, the use of samples, or the display of goods, simply because it is thought to be cheaper or more effective. In fact there is little question but that in the selling of merchandise a far greater sum is spent on salesmen than on advertising. Few manufacturers spend as much on advertising as they do on salesmen. This is especially true in the sale of production goods and equipment. In wholesaling and particularly in retailing, the salesforce expense is usually the largest operating expense, and is far greater than the advertising cost.[1]

Criticism of advertising, specifically, rather than of selling costs, tends to give the impression that advertising is a costly method of selling, and even that it is responsible for costly selling. The reverse is usually true. For although the use of salesmen is commonly considered the more effective method

[1] See A. W. Shaw Co., *How to Run a Wholesale Business at a Profit* (1918), pp. xix-xxv, Harvard Bureau of Business Research, Buls. 10, 12, 13, 14; and Northwestern University, Bureau of Business Research, *The Survey of the Retail Clothing Industry* (1921).

of selling—cost ignored—it is often too expensive. This is especially true when individual sales are made in small volume and with a small margin of profit over production costs. Advertising, consequently, is used, not merely because it creates demand, but because, when substituted for other methods, it creates demand at a lower unit cost, or because, when it supplements the efforts of salesmen, sales costs decline. It is generally agreed that advertising in many instances has lowered selling costs as well as manufacturing costs. This is because it creates a large demand at a minimum cost and brings about the standardization of merchandise, thereby rendering large scale, standardized production possible. It has also assisted in lowering costs of production by smoothing the peaks of demand for seasonal goods into a more steady demand and has thereby rendered continuous production possible.

It has been contended by some critics that as far as the consumer's immediate interest is concerned, socially legitimate sales effort should be devoted to the announcement of new articles or new uses for old articles.[2] The purpose to be served by an article should be explained and the way in which it served this need should be pointed out.[3] Improvements on existing articles and special prices could also be announced. But it may be questioned whether the consumer's long time interests would be served if selling were so confined. The inventors of many products which it is agreed have proved a boon to humanity have died poor. People would not use their product. It was only when they or some business man successfully *sold* the article that it was finally adopted. The problems which faced Watt, Corliss, Morse, Edison, the Wright brothers, and scores of others—because of the failure of the consuming public to take up their product—are familiar to all.[4] Most of the comforts enjoyed to-day have been made commercially possible only by sales efforts. Nevertheless the process is expensive.

[2] See, however, pp. 12–16.

[3] E. P. Harris, *Coöperation: the Hope of the Consumer*, Chap. I.

[4] See also F. W. Taussig, *Inventors and Money-Makers* (1915).

For not only are the facts concerning goods announced to us, but they are announced over and over and over again in every conceivable way. The consumer is not left to judge for himself but every effort is made to influence his judgment. Furthermore, mere announcement is not sufficient to satisfy competitive needs. Most products offered for sale are very much like competing products serving the same ends. But if announcements were of the kind suggested, individual producers might not get so large a share of prospective trade as they feel they would get if they could make the consumer think that their product is really very different from all competing articles and far superior to them. Consequently, some different "selling point" or points must be found to differentiate the product from its fellows—to individualize it. Then, by making the sales effort focus on this particular article, and its "different" characteristics, the seller tries to make prospective customers think they will make a great mistake if they do not get it in preference to others. Now this may often be true, but in the great majority of cases it will be found that many of these "selling points" are not particularly important characteristics of the articles sold.

Importance of Demand Creation Reviewed.—This last point now requires attention. The problem of demand creation is important to manufacturers of consumption goods.[5] Inasmuch as most goods of this class are not absolute necessities, but are necessities modified for selling purposes or else goods which cater to the desire for conveniences and luxuries, and since there are many more of such products on the market than the average consumer can afford to buy, it becomes a particularly difficult task to sell them. Thus, the manufacturer of a phonograph must first of all convince the prospect that he wants an instrument of this kind. And if the prospect's ability to spend, or his willingness to spend, is limited, he must be persuaded that he wants the phonograph more

[5] See pp. 12–16, 112–114.

than he wants a chair, or a new suit, or new paper on the wall, or that his desire for it is greater than his desire to put that amount of money into securities or in the bank. All of these and many other products and services are competing for the consumer's income, which for most individuals is at best enough to buy but a small number of the different commodities offered for sale.

In addition to the sales efforts which have just been described, however, is that which is made to induce the purchaser to buy a particular manufacturer's product, rather than those of competing manufacturers who make a similar product —to induce the purchaser desirous of buying a music box to buy a particular make rather than any one of a dozen or more brands offered on the market. It is evident that efforts of this kind arise out of the fact that the consumer is not "educated" to a realization of the "value" of the products offered for sale, and, more especially, to the further fact that there are neither definite, tangible criteria by which he can judge and compare goods meeting the same need, nor means by which he can evaluate the relative utility of goods catering to his different wants. It is essential to their success, then, for vendors to convince the prospective consumer that their particular product is the one most desired by him. This is costly.

Such Costs Eliminated When Recognized Standards Prevail.—Now extreme manifestations of this problem do not arise in the sale of goods that can be definitely measured as to quality and character. The purely competitive costs in particular are not found. It was shown in Chapter VI that this is true of most raw materials.[6] With them, quality can be readily compared on a basis of recognized standards.

[6] This is, at least, ordinarily true. It is conceivable that farmers who raise corn might combine and advertise so as to educate consumers to the value of corn as food, just as California fruit growers have combined to advertise citrus fruits. The Fleischmann Yeast Company is endeavoring to stimulate a greater demand for bread, which is commonly thought of as having in this country a relatively inelastic demand.

Competition, therefore, is on a price basis, and he who can produce and deliver most cheaply gets the best results, and only the most efficient producers can continue in business. Even when such goods are not graded and standardized, the buyer is usually skilled and so demand creative effort can be of little avail to the seller.[7] This is true of most other classes of production goods, and of standard equipment.

Branded Staples Introduced to Reduce Price Competition and Control the Market.—But in differentiating their product so as to obtain a more secure position in the market, manufacturers of consumption goods and of special equipment have made it difficult to compare their goods with other goods which are made to meet the same demand.[8] Having differentiated his product, the manufacturer tries to hold the market by individualizing it in some way and endeavoring to build up for it a good will which will be strong enough to counteract competition on a pure price basis. In other words, the product is differentiated so that it cannot be readily compared with others on a price basis, or even on a quality basis. When the product has been thus differentiated and a demand created for it, an endeavor is made to hold that demand through the process of individualization, which fixes the particular brand, rather than the general type of product, in the mind of the purchaser.[9]

Out of this condition has also arisen what has come to be known as the branded staple—a staple sold by "specialty" methods. The reason for branding a staple is to shift the general demand for a staple commodity into a specific demand for a particular brand of that commodity. It is not correct to say that these products are the old product merely changed

[7] Except as to "service," i.e., credit, deliveries, etc.

[8] Although the word "manufacturers" is used, the problem and the practice are found in wholesaling and in retailing this class of goods, and influence both wholesalers and retailers.

[9] Kodak rather than camera, for example; Victrola rather than phonograph. But definite social economies may result in the long run. See p. 16.

in some unimportant manner. Very often, in fact, they are definitely improved and even if the quality could be exactly determined, evaluated, and compared, they would sell in preference to cheaper products or similar products at the same price. But it is sometimes argued that the point to be made in this connection is that such methods enable many firms to remain in business longer than they would if the "improvements" had not been made or if they could be definitely measured and evaluated. In such cases, the good will which a firm builds up tends also to hinder the socially desirable results of competition. Finally, such selling methods lead also to excessive duplication of an expensive machinery for creating demand.[10]

In so far as branding shifts competition from a measurable (price) basis to what is often, for the ordinary ultimate consumer, an unmeasurable (quality) basis, it makes marketing more complex. To say that quality must be measured in either case does not refute this argument, because, in the case of many branded staples, the "quality" said to inhere in the product is some added "selling point" over and above basic qualities, one usually difficult for the consumer to measure on his scale of values, or to compare with other similar products.[11] Now, of course, improved products are desirable

[10] On the other hand, although certain results of extreme competition are generally recognized as undesirable, a good argument can be offered to show that shifting competition from a price to a quality basis is a distinct improvement in merchandising. See A. W. Shaw, "Some Problems in Market Distribution," *Quarterly Journal of Economics,* Vol. XXVI, pp. 742–746, and infra., p. 403.

[11] "The consensus of opinion among those who have given this problem careful study and have built their sales successes on it, has developed these basic principles:

"*a.* The merchandise must have at least one vital point in which it excels competitive merchandise. . . .

. . . . . .

"*It is actually wise to reshape merchandise* which has no vital argumentative individuality, so that it does have an individuality. Often there is excellent sales individuality in the process of manufacture or

and many of these undoubtedly are improvements, but the unfortunate result is the excessive amount of sales effort that is put forth to create demand. For when characteristics are hard to measure and to evaluate, it is difficult and expensive to buy and sell and the result may be that the social costs of demand creation become excessive. In this emphasis upon quality and differentiation, the consumer's normal desire for something good and for something different is preyed upon in an extreme degree by those who would sell products. Of course, in so far as this process leads to large markets and large scale production, with lowered costs, the net result is an improvement. An improvement in merchandising also results from the fact that when once he has found goods which satisfy, the consumer can thereafter buy by brand, and hence by description, rather than by inspection or sample.

Cause for Excessive Selling Cost: Inability of Consumer to Judge.—The conditions which make necessary this excessive competitive cost of selling have been discussed in previous chapters. The conditions which render it possible arise out of the inability of the consumer to judge readily the exact characteristics of the various products, to compare them readily with similar products, and to place them in his value scale in relation to other products of different kinds, which are nevertheless competing for his purchasing power. The consumer's inability to do these things is in part due (1) to the failure to develop any method by which the physical characteristics of the goods can be properly graded and classified and hence compared; (2) it arises further out of the different reactions of prospective purchasers to specific characteristics of merchandise; and (3) it is caused in part by the lack of time and inclination to "shop," learn qualities, etc.[12]

quality which has been overlooked."—J. G. Frederick, *Modern Sales-management* (1919), pp. 19–20. [The italics in the quotation are mine.] See also A. W. Shaw, *An Approach to Business Problems* (1916), pp. 245–254.

[12] See Chaps. XIX and XXI.

In the case of goods sold at retail, there usually are no generally accepted grades. The purchaser, too, is by no means an expert, or if he is an expert in purchasing a few things, it is impossible for him to be an expert over the great range of products that must be bought by the average consumer. And, furthermore, the small size of retail transactions does not warrant the buyer in making the effort to become expert, or to take the necessary time for examination if he is. The varying reactions of buyers to goods can merely be suggested. They relate to characterictics of goods which cannot be generally graded or described, and the reactions to which vary between individuals and even with the same individual at different times and under different conditions.[13] From these facts it follows that the average consumer does not know precisely what he wants, and he cannot judge products in relation to his wants and in relation to other products. Competing manufacturers and retailers try, consequently, to help him decide, in favor of their merchandise.

II

Importance of Standardization to Improved Marketing.— The use of standards in the sale of many production goods, and the possibility of technical tests of the qualities of others constitute one great element in reducing their costs of marketing. Such goods do not have to be "sold," as do many consumption goods. Their characteristics once determined, the buyer is then in a position to decide intelligently, regardless of sales pressure, whether they are worth as much as other goods which he has the opportunity to buy, or whether they are worth the price at all. This last point he can decide on the basis of his known costs of production and the anticipated selling price of the merchandise. But the finished products that emerge from these raw materials are divided into innumerable grades, and often have the intangible and in-

[13] See pp. 405–406.

definite characteristics which have been mentioned. This is true because, in the finished product destined for the ultimate consumer, style and appearance are often important. These cannot be evaluated, or, at least, are not, by simple physical, mechanical, or chemical tests, as can the qualities of raw materials. In consequence, many products differ from each other "by the intangible and esthetic qualities of shape, color, and design, which cannot be reduced to a single mechanical standard." [14]

But even the material content of consumption goods is more or less unknown. The consumer does not know the real content of his clothing, whether wool, wool and cotton, or shoddy;[15] of his canned goods, the quality of the product, its purity, or the amount of water or other useless ingredient in-

[14] Homer Hoyt, "Concentration and Its Relation to Industrial Standardization," *The Annals of the American Academy* (Mar., 1919), pp. 271–277.

[15] "The Winsted Hosiery Co. v. Federal Trade Commission, 272 Fed. 957 (CCA. Second Circuit).

"The complaint in this case charged that respondent had manufactured and sold underwear made of a small amount of wool and a large amount of cotton, which it labeled, advertised, and branded as 'Merino,' 'Wool,' or 'Worsted.' To the complaint the respondent made answer which was in effect a confession and avoidance, and attempted to justify the practice upon the theory that it had become universal and was well recognized by the distributors of underwear. An order to cease and desist from the practices charged in the complaint was issued, whereupon the respondent petitioned the Circuit Court of Appeals, Second Circuit, for a review of the Commission's order. The court, on April 13, 1921, filed its opinion and reversed the order of the Commission. Thereafter the Commission applied to the Supreme Court of the United States for a writ of certiorari to review the decree of the Circuit Court of Appeals, which writ was granted on June 6, 1921. The question presented in the petition for certiorari was whether the misbranding of garments made of cotton and wool, which misleads the consuming public into the belief that such garments are made wholly of wool, thereby injuring competitors who correctly labeled their products, constitutes an unfair method of competition within the purview of section 5 of the commission act."—*Annual Report of the Federal Trade Commission* (1921), pp. 29–30.

cluded; or the technical utility of the content of his tooth-paste, although he may know that the container it is sold in enables him to use it more easily than any competing brand. Consequently, he cannot buy scientifically, nor with certainty. And, again, the manufacturer who can "puff" such wares with greatest success is the most likely to make sales. This is particularly the case where there is really little of ascertainable physical difference between the competing products.

Who Is Responsible?—Responsibility for this medley of designs can be laid fundamentally at the door of the consumer, to his desire for variety and distinction. But, on the other hand, this desire has been assiduously cultivated by sellers and has been played upon excessively as a result of the competition of manufacturers and other vendors.[16]

Psychical Element in Sales.—Some of the more extreme appeals that are made upon psychical elements in buying are interesting. We are told that this is the "highest priced" flour, varnish, or car on the market, not that it is the best, although that may be inferred. But the very fact that it is highest in price gives it a psychical value in the minds of many purchasers that it would not otherwise have. It is said that when the price of a well known automobile was cut one-third, the sales fell off at once. This was probably due to a variety of causes—to fear by some that the quality of the car would be lowered, although it was guaranteed that it would not be, but more likely because the price was still too high for small purchasers, and because the automobile did not now meet the demands of the class who desired to be known as having expensive cars. A phonograph sold by a large mail order house is said to be the equal of any on the market, but there are large numbers of buyers who, even though they did believe this to be true, would not buy it. They would

[16] Note the successful efforts of a few years back to introduce frequent style changes in women's shoes, and more recently a similar attempt with men's shoes and now, even spectacles!

hesitate to tell their friends that they bought it through the mail order house, with the inference to be drawn therefrom that they did so to save money. Some stores even advertise to the effect that "we charge a little more, but our service and our products are, oh! so superior." Others suggest it, and many others by stressing "quality" and "service" draw attention away from their higher prices. Even though superior quality actually inheres in certain products the desire for distinction rather than the fact that they are better goods often prompts their purchase.

III

The Middleman System and Marketing Costs.—A common cause which is assigned for the high cost of marketing is the middleman system. It is charged that there are "too many middlemen."

It was shown in Chapter XIV that the problems concerning middlemen are really of two kinds. First, are there too many kinds of independent middlemen handling products on the way from producer to consumer, and, second, are there too many middlemen attempting to perform each service? One arises out of the feeling that there are too many grocers, butchers, jobbers, hardware merchants; the other is produced by the belief that too many different kinds of middlemen "take their profit" out of the final retail price before the product reaches the ultimate consumer.

Are There Too Many Competing Firms?—It has already been suggested in this chapter that the excessive costs of competition arise in part out of the fact that there is an excessive number of competing products in the market. The complaint, consequently, that competition is excessive is not confined to those competitors, commonly called middlemen, offering marketing services; it is found throughout all business. There are too many manufacturers of competing products, and too many railroads in some parts of the country, as well as

too many middlemen.[17] At least as far as efficiency at a given time, as contrasted with the competitive results over a long period of time as evidenced in better methods, is concerned, this seems to be a safe conclusion—for those industries which have not been in large part monopolized. The lure of profit and the desire to be independent are so strong that men will start a competing factory, or a competing retail or wholesale store, when those already operating are perfectly capable of meeting the needs of the market; and when those already functioning, by operating on a large scale, could if left alone probably produce and market the goods at a smaller cost than is possible when more competitors enter the

[17] The following quotation summarizes some of the points thus far discussed as related to a specific industry: "In a survey of the distribution of wheat and flour, three things are noticeable: the intensely competitive character of the business, the excess in equipment for distribution, and the desire for independence of the people engaged in production and distribution. If one farmer will not sell his wheat at the price offered another farmer will. Local dealers, jobbers, and millers bid against each other in buying and selling. Flour is made in the town of A and shipped by rail to be sold in the town of B, while flour made in B is sold in A. A grocer in the east end of town hauls flour across the city to a customer in the west end of town, and the grocer in the west end delivers to a customer in the east end. The Minnesota miller sometimes buys Kansas wheat and the Kansas housekeeper sometimes insists on having Minnesota flour. And not only are the products crossing trails in distribution, but traveling salesmen of the many mills and flour jobbers are duplicating their labors in the same territory. Beginning with production, there are more seeding and harvesting machines in the hands of farmers than would be needed if there were coöperation in production and each machine kept in operation the entire harvest season. There are more elevators in the wheat area than are needed, each operating most of the time on less than its full capacity. In some sections, there is needless duplication of railroad trackage. More grain jobbers and commission men are in the field than can find continuous business. It is asserted that the mills of the United States could grind all the wheat raised in the United States in 144 days (24 hours per day)."—J. C. Bowen, *Wheat and Flour Prices from Farmer to Consumer,* United States Bureau of Labor Statistics, Bul. No. 130 (1913), p. 14.

field. That is, the larger number of competitors possibly results in increasing the costs of selling. Even if the introduction of new firms does not decrease the existing scale of operation, it may limit possible increases in the size of individual firms. In this way it may hinder savings from large scale operation in industries where that is important.[18]

Facts to substantiate such an argument can be readily found in some industries. Thus, when the whiskey trust was formed, some eighty or eighty-five competing distilleries were combined and all but seventeen were shut down. These seventeen continued to produce as great a supply as the market demanded. Familiar examples of an excessive number of competitors are found in the case of milk delivery and of the delivery of store products to consumers.[19] The figures quoted on page 515 from the study of grocery costs made by the Wisconsin Experiment Station likewise show that the smallest stores operate at a higher cost than do the stores of medium size. As was shown in previous chapters, the results of such excessive competition are a great duplication of plant and equipment, an excess of overhead expense, and unnecessarily large stocks of merchandise. In addition to these evils is the cost of demand creation which results from the efforts of each competitor to obtain a sufficient part of the available demand to enable him to continue in business, or to utilize an existing plant capacity to the fullest extent, or to make it possible to increase his volume of sales—often with a view to reducing costs of production, costs of selling, or both.

We have seen that the greatest cost of marketing consumption goods is usually found in the final link of the chain of distribution, namely, the retailer. It is in retailing, likewise, that by far the greatest number of competing middlemen are found, and that the smallest volume of business is performed by individual dealers. It is here then that this evil is found

[18] See p. 290.

[19] See also *The Glass Industry*, U. S. Bureau of Foreign and Domestic Commerce, Miscellaneous Series, No. 60 (1917).

in its most acute form. Is it possible and desirable to eliminate some of this "excessive" number of retail dealers?

Meaning of the Term "Too Many Stores."—At the outset, the question arises, just what is meant by stating that there may be too many retail stores? If it means that there are too many independent owners, then the chain store, large coöperative societies, department stores, and large mail order retailers may be the answer. If it means that there are too many individual store units, regardless of ownership, another problem presents itself. It is in this latter form that the question does arise although the economies which may be derived from the central control exercised by chain stores over the local units make so definite a declaration of the problem impossible. Stating it more precisely, are there too many stores to achieve the best service for the price that is paid? [20]

Relation of Number of Stores to Volume of Business.—In the course of coming to a conclusion on this point, consideration should not be given primarily to the number of stores in relation to the population, but to the number of stores in relation to the amount of work performed. That the number of retail stores compared with the total population in the United States is greater in relation to the population to-day than it was in 1850, for example, seems to be unquestionable.[21] But if the increased number of stores is compared with the increased volume of products handled through them, it is found that the average value and volume of goods handled is very much greater now than previously. Although a part of this may be due to the general rise of prices, other causes are important. For it is during this period that many products

[20] See, for example, Chas. P. Steinmetz, *America and the New Epoch* (1916), especially Chap. IV, and E. P. Harris, *Coöperation, the Hope of the Consumer* (1918), pp. 57 ff.

[21] Nystrom shows (*Economics of Retailing* [2d ed.], p. 331) that there were, according to the Census figures, 7.51 merchants (largely retail merchants) to each 1000 of population in 1850; this increased to 11.4 in 1930 and since then has remained relatively constant—at 10.97 in 1900 and 10.92 in 1910.

formerly made in the home have come to be made in manufacturing plants. And during the same period there has been a great increase in the volume of farm products handled through stores, as well as in the consumption of merchandise produced in remote regions. An increased proportion of the population cannot buy directly from producers and do not have their own home manufacture, farms, gardens, etc., to draw from.[22]

More Market Machinery a Result of Modern Methods of Production.—The result of specialization in industry and of the increase in the variety of products the ordinary person consumes has been to increase the amount of distributive work that has to be done. It has been shown that a part of the economies of modern large scale production have been offset by the increased cost of distributing the products produced under these conditions.[23] Moreover, the increased well-being of the American people has made available to them many new products and products from distant places. To distribute these has further increased the amount of market activity necessary in modern society.

It seems, then, returning to retailing, that the increase in the number of stores has not been so great as has the increase in the volume of business they have been called upon to perform. But this does not answer the final question, that there may nevertheless be a larger number of stores than is required to give the best service at the least cost, and that the number may be so large as actually to militate against the acquirement of the best service at the least cost. In a period in which large scale methods of production and large scale retailing have been developing, is the tendency for small retail stores to hold the field in great numbers a cause for inefficient and costly retail service?

Excessive Costs of Retailing Not all Borne by the Imme-

[22] For a statistical study, the reader is again referred to Nystrom, *op. cit.*, pp. 333 ff.

[23] See pp. 503–504.

diate Consumer.—First of all it is by no means certain that the excessive costs of retailing are entirely borne by the immediate consumer, at least in the first instance. Thus, Nystrom has pointed out[24] that although but 10 to 20 per cent of those who start stores are able to continue in business, and an even smaller number truly succeed, the great majority of those who start do not fail in the sense that they bring loss to their creditors. Rather, they fail in the sense that the proprietors see the original capital with which they entered business diminishing and withdraw, without their own capital, but before their creditors suffer. Even so, this is expensive; although it is the method by which the fit are separated from the unfit in a competitive society. Again, it is not at all evident that large scale retailing is more efficient in so far as the costs of operation are concerned. In fact, the costs of selling of department stores and large stores generally, with the possible exception of chain stores, are thought to be greater than the costs of small competing stores when efficiently operated.[25] In other words, there is some reason to believe that retailing reaches a condition of diminishing returns, after a certain indefinite point, as the size of the establishment increases.[26]

Advantages of Small Store to Consumer.—Much can be said for the small retail store as a service of convenience to consumers, which must be considered as an offset to their operating inefficiencies. Whereas the large store is usually at some distance, the small store can be close at hand for quick purchases and rapid service, and so performs a very real service and one worth paying for. When we consider that it is doubtful whether the public does have to pay much, if any, more than it would if there were fewer, and consequently,

[24] Nystrom, *op. cit.*, Chap. XVIII.

[25] See Chap. XII.

[26] Nourse (*The Chicago Produce Market*, pp. 114-115) raises the same point in connection with the jobbing of produce, and figures were quoted, *supra*, pp. 150, 152, to show that this is likewise true of jobbers handling staple manufactured products.

larger stores, it evidently may be questioned whether a decrease in the number of stores would be of great benefit to the public. Although this cost must be borne by society in the long run, it must be remembered that it is the price which we pay for the "benefits" of competition.

Question of the Economies of Large Retail Stores.—If there were very great economies in large scale retailing, it would seem that the large store would long since have eliminated its smaller competitor, as large factories have superseded smaller ones in some fields of manufacture. But this has not occurred in any sensible degree. An exception to this may be the recent rapid growth of the chain store which combines the advantages of the small store, from the point of view of service and store cost, with the advantages of more efficient central administration and the purchasing advantages of the large store. If the larger store becomes more efficient, it is likely that we may expect to see it supersede small stores. Competition in retailing is very keen and it seems that although inefficiency is great and the death rate among retailers is large, the persistence of successful small stores indicates that they perform these services at a cost which is satisfactory to the consumer, at least in relation to large store service and costs. If this is true, it appears that the results of inefficiency can be best met by education in business methods rather than through steps to curtail the number of retail stores.[27]

It would seem that similar arguments can be employed in the case of other classes of middlemen generally.[28] In wholesale selling, however, units are larger and the degree of efficiency is greater, because the range of services performed is smaller. Buyers are more skilled and purchase in large

[27] Some suggestions for limiting the number of retailers are discussed in Nystrom, *op. cit.*, Chaps. XIX-XXI.

[28] For discussion of this point in the agricultural wholesale trade, see Weld, *op. cit.*, Chaps. IV-VIII; the *Report of the Federal Trade Commission on the Canned Food Industry;* and see A. W. Shaw Co., *How to Run a Wholesale Business at a Profit.*

amounts, and price is more important in meeting competition.[29] Efficiency is, consequently, more quickly sensed by the customers, and failure comes more rapidly to the inefficient.

The other aspect of the middlemen problem—the number of successive middlemen involved—has been previously discussed, and it is unnecessary to pursue the question further at this point.[30]

"Profiteering" Not Confined to Middlemen.—A common charge against middlemen is that they make too large a profit. But as a general rule when enormous profits are made by middlemen they do not arise out of the middleman's service as such, but out of general conditions in the market. For example, success in holding goods for a high price is due to the limitation or supposed limitation of supply during a rising market, or a condition of greater or less monopoly control. These situations are probably as often taken advantage of by the producer as by the middleman. Indeed there is a greater incentive for the producer to do so, for his profit depends upon his receiving a high price for his product, whereas the profit of the middleman ordinarily depends upon his accomplishing a large number of exchanges, for himself or his clients.[31]

It seems, then, that the real problems of market price as affected by the operations of middlemen do not arise out of the fact that middlemen exist, but out of the fact that supplies are often limited or, from the point of view of the producer, that demand is limited or supply is too great. The problem may also arise from inefficiency, which is not an evil confined to middlemen alone; and from the lack of adequate market information, which affects equally all parties to the market.

IV

Some Evils of Competition: (1) Excessive Costs.—Some of the wasteful practices which arise under the competitive

[29] See pp. 438–439.

[30] See Chap. XIV.

[31] See the discussion of turnover in Chap. XI.

system may now be summarized. The difficulty of distributing products, which cannot be graded in such a way that unskilled or busy buyers can readily determine their worth, makes necessary and possible enormous sales expense on the part of vendors. This sort of effort involves trying to make consumers realize that "my flour is really better than Smith's flour," while Smith and Jones and Brown are all trying to create the same belief about their flour. There may really be no difference, or such differences as there are may not be reflected in the variations in price. And in any case, the process is extremely expensive. Since the ultimate consumer has no very definite way of determining values the competing manufacturers or dealers, or both, endeavor to make him think as they wish him to. All of them are trying at great cost to make him believe certain things about their product which he finds difficult to verify. For if they could be easily proved, much modern sales effort would not pay because it could do no more than announce the goods—the consumer would judge the quality without assistance from the vendor.

(2) **Excessive Stocks.**—Another source of waste is the excessive amount of capital tied up in duplicate stock, both by manufacturers and merchants. Take as an illustration, the grocer. There may be several important grades and brands of certain highly advertised canned goods. As a result of "consumer advertising," one customer asks for one kind, another for another, and so on. For the customer who does not seem influenced by advertising, the grocer may have another brand which he prefers to sell. Yet he must keep a stock of all, for if a customer demands one brand and cannot get it, he is very likely to go where he can—not merely to purchase this brand but all the other goods he buys. That is, to keep his trade, the merchant must keep on hand all of the various brands that his customers demand.[32] To keep enough of one

[32] Advertising against substitution by manufacturers has strengthened this evil by making the consumer feel that the dealer is trying to cheat him when he suggests a substitute. Experience shows, however, that

brand on hand to meet all demands does not necessitate nearly so large a stock, relatively, as it does to carry a sufficient stock of all brands that may be asked for. Twelve cases of one brand may be enough to have on hand. If several brands are sold it is likely that four or five cases of each must be stored, which although a smaller amount of each kind, causes a much larger total supply to be kept. This situation, which is duplicated with many products, influences the jobber as well as the retailer; and individual manufacturers, each producing a relatively smaller part of the total product of a kind than is needed, must keep a relatively large stock on hand to meet possible demands.[33] Needless to say we do not want to have standardization carried to an extreme. But surely, the legitimate desire of the consumer for individuality and variety has been abused as a selling point by competing manufacturers and dealers.

To the costs of excessive plant and equipment for production, administration, and selling must be added excessive plant, equipment, and administration in the field of physical distribution: excessive warehouse facilities, and cross freights in transportation, such as arise when a Chicago manufacturer sells his product in Detroit or New York and similar products manufactured in Detroit and New York are sold in Chicago.[34]

(3) **Competition and Quality.**—Quality is not guaranteed under the competitive régime. In fact, the individual profit-

the average dealer can, if he desires, easily influence his customers to substitute other products for the advertised products they ask for.

[33] As illustrative of the lack of standardization which is at least partly responsible for this, a recent writer has stated that there are 100 shades of household paint, 518 patterns of piano stool; and a single jobber is said to have had in stock 102 brands of coffee, 30 coffee substitutes, 84 makes of canned beans, 75 kinds of cigars. See Homer Hoyt, *op. cit.* The Colorado Elevator Company has 100 brands of flour. See also p. 138, note 6.

[34] Generally speaking, however, the wastes from cross freights are perhaps not so excessive as they have been pictured, because for many products, in the absence of physical deterioration, transportation costs make up a very small part of the cost of marketing.

seeking at the base of our economic régime which is depended upon to bring this about has a tendency to defeat that very end. Private profit-seeking emphasizes pecuniary profit rather than quality of product or beneficial social results. And it is found that the two are by no means accomplished in the same way at a given time.[35] Even though they tend to be similar in the long run, that result is interfered with through the rapidly changing conditions which are now present in industry and commerce. Partial causes for this are the facts that the range of products has become so broad, the variations of individual products are so great, and standards for determining value vary so much and are so difficult to establish, that in many lines of goods, there are no means by which the consumer can judge of the relative values of competing products.[36]

(4) **Poor Adjustment of Demand and Supply.**—Another evident shortcoming of competition is the frequent failure of "demand and supply" to balance properly. This results, in some cases, simply in a condition of overproduction in a single industry. In other cases, it results in a decline in the demand for large numbers of products at a price which covers the costs of their production. This last condition is a basic cause for our recurring economic crises.[37]

V

Many of the problems which arise in marketing indicate weak points in our existing economic régime. The strength of this system and its weaknesses were summarized in Chapter XXIV. At this point some of the more commonly proposed remedies for the wastes of competition will be briefly reviewed.

(1) **Socialism.**—Among the more common proposals is so-

[35] See W. C. Mitchell, *Business Cycles,* Chap. II.

[36] See Chap. XIX.

[37] The fundamental need for the proper collection, interpretation, and dispersion of market news as an assistance in solving such problems was discussed in Chap. XVIII.

cialism, as variously advocated in many forms and with varied purposes. It is said that socialism will eliminate wasteful competition and order both production and marketing more closely to the general needs of society. Various plans are offered but in so far as they relate to the elimination of the wastes of competition, they advocate some means for the social control of industry, the purpose of which will be to manage it in such a way that demand and supply will be more closely related, and purely competitive selling costs will be eliminated. The arguments for and against socialism are familiar. In their relation to marketing they center largely about the question of the relative social efficiency of the competitive system and a socialistic régime. It is a question of the relative effectiveness of a system which, despite its wastefulness, leads in the long run to improved methods, and so offsets the excessive costs of competition, and the effectiveness of a socialistic society which may be able to eliminate excessive costs of marketing under an existing technical standard, but which it is feared would also result in stagnation and a failure to progress.[38] In other words, as between our present method of control and socialistic control, it appears to be necessary to make a choice between a wasteful progress or an economical stagnation.[39]

(2) **Coöperation.**—Another important system, which, it is claimed, has already brought about important improvements in marketing, is coöperation by consumer and producer respectively. The enormous growth of consumer coöperation in Europe and England and of producer coöperation among farmers both in this country and abroad is accepted

[38] The Russian experience is uppermost in the public mind at the present time. But while it shows many of the pitfalls of socialized industry the Russian conditions are fundamentally so different from those in Western Europe and America that analogies can hardly be drawn.

[39] For a fuller discussion of these questions, the reader is referred to such discussions as O. D. Skelton, *Socialism* (1911); Edmond Kelly, *Twentieth Century Socialism* (1911); Morris Hillquit, *Socialism in Theory and Practice* (1910); and John Spargo, *Applied Socialism* (1912).

as an indication that these systems of marketing have proved beneficial to those directly interested. Really important results have come, although many of the savings have resulted from the curtailment of services ordinarily rendered by private merchandisers to their patrons. These are services which merchandisers have rendered either because they were demanded by customers or because competition forced sellers to offer them in order to gain and keep their trade from competitors. In so far, however, as these services are unnecessary, or are duplicated on a small and inefficient scale, coöperation may cause a real gain, and in so far as the high costs found in creating a demand for products in a competitive market can be eliminated through such systems, there is a further actual benefit.[40] Whether such a system will ever prevail generally and whether, if it does prevail, progress will be stifled, are questions on which much difference of opinion is found. Many people believe that we may well forego some of our so-called "progress," and, by ordering our lives a little more conservatively, perhaps really increase total well-being.[41]

(3) Public Markets, Parcel Post, and Express.—Public markets, and the delivery of products by parcel post and express, particularly perishable produce, are being strongly advocated. Public markets at which farmers and consumers meet for exchange will probably prove to be of greater and greater importance as good roads and the use of the motor truck extend the area that can be made available to a given city market. But none of these things can be expected to revolu-

[40] Coöperation was discussed in Chap. XIII. See also S. and B. Webb, *The Consumers' Coöperative Movement* (1921).

[41] In this connection, it is interesting to note that the cure-all of the man of business is often "more production," which in the case of an individual firm, may change to "sell more." "Stuff the patient," seems to be the prevailing remedy; perhaps a limited diet would in the end prove the more sound.

tionize marketing or to affect greatly the cost of products. Large cities and specialized agricultural areas must draw their products from a wide area. A relatively small part of the produce consumed can be grown so close to the community that the grower can afford to bring his produce to a public market.[42] As a usual thing the consumer likewise cannot afford the time it takes to purchase in this manner. Furthermore, with more distant producing areas, these difficulties are intensified.[43]

It is likewise true that great results cannot be expected from direct sales delivered to consumers by means of the parcel post or express service. The advocates of parcel post have emphasized the use to which this system can be put in eliminating middlemen in the farm market and making direct sale possible. But the opportunities are limited. Small sales made by description are necessary and the difficulties are too great and the opportunities for misunderstanding are too many to cause one to anticipate wide use of this method. The parcel post and express are, of course, widely and profitably used in the delivery of goods sold through the usual channels, and a large volume of "mail order" business in manufactured goods is delivered by these services.

(4) Coöperation and Combination among Competitors.—Another type of coöperation among producers which many believe will eliminate excessive costs of competition is the development toward combination in the so-called "trust movement," [44] and, more recently, the "open price association."

[42] And even when growers can haul their goods to a city, they may prefer to sell to merchants. See pp. 47–54. In many of our public markets the vendors are retailers and not farmers. In other markets the farmers sell largely to retailers. See the *Report of the Federal Trade Commission on the Wholesale Marketing of Food* (1920), pp. 48–49, 59–60.

[43] See L. D. H. Weld, *The Marketing of Farm Products*, Chap. XVIII.

[44] See Charles P. Steinmetz, *America and the New Epoch* (1916).

The methods and purposes of the trusts as related to marketing are generally familiar.[45] The methods used by such combinations would bring much the same result as would those advocated by many socialists. The outstanding difference is in the means of control. In fact, certain groups of socialists favor the apparent trend toward combination and monopoly on the ground that private enterprise is doing the very thing that the socialists desire. Their policy is to let private enterprises eliminate excessive competition and develop monopolies, and then when the process is complete, to have the state step in and take them over.[46]

One of the strongest arguments in favor of such combinations, and of open price associations, is that what has come to be called "cut-throat" competition is thereby eliminated, to the benefit of society and of the individual firms involved. But combinations in so far as they prove to be monopolistic—and they are not fully successful in controlling competition unless they do approach monopoly—exercise an influence in the market which past experience with them has shown to be harmful. It is essential to the public interest that they be adequately controlled; otherwise society is better off to have them destroyed. Because this attitude has prevailed among our legislators and the judiciary, combinations have been forced to fight for legal existence. There is, however, a growing feeling that perhaps after all it might be best to favor such combinations as can prove themselves economically beneficial and to regulate their activities through government agencies.[47] There could thus be combined to some degree, the

[45] See for example, L. H. Haney, *Business Organization and Combination* (1914), J. W. Jenks, *The Trust Problem* (1907), R. T. Ely, *Monopolies and Trusts* (1900), G. H. Montague, *Trusts of Today* (1904), W. M. Collier, *The Trusts* (1900), and John Spargo, *op cit.*

[46] See, for example, Edmond Kelly, *Twentieth Century Socialism* (1911), pp. 260, 416, 428.

[47] The passage of the Webb-Pomerene Act legalizing combinations in export trade supervised by the Federal Trade Commission, seems to be a step in this direction.

advantages of individual enterprises which are felt to be so important to the success of the competitive régime, with the elimination of waste which some advocates of state activity believe would result from the adoption of their system.

Conclusion.—Some final suggestions can now be made. The marketing process is very expensive. In the case of consumption goods it probably amounts to 50 per cent or more of the price paid by the consumer. Furthermore, the few facts at hand show that there are wide variations in the expenses of competing firms, particularly in the retail field. Such data as are at hand indicate that for many retailers there is great opportunity for improvement. Valuable work is now being done by educational institutions, manufacturers, jobbers, and by retail associations in educating retailers to better methods. The larger market organizations seem to be operating more effectively, but the data for comparison are meagre. It is evident that what is needed is to continue with, and to develop, the work of the various agencies, public and private, which are directed toward discovering the problems of, and improving the methods of, merchandising. So expensive a part of our industrial mechanism as the marketing machinery requires careful study. But it is an intricate and delicate mechanism, and change should develop only from investigation and experience. The selfish interests of those most directly involved may be expected to do much to improve the technique of individual types of operation. But even though one may not favor such drastic proposals as socialism, combination, or even coöperation, it seems, nevertheless, that governmental action and the coöperation of business men will continue to be essential tools in the development of a proper functioning between competing firms and between different societies, as well as a protection for the public from the evil results of extreme competition and of monopoly.

INDEX

Adams, C. A., 398, 407
Adams, H. C., 414, 475, 480, 487
Advertised brands, effect on retailing, 192-3
Advertising and branding standardized goods, 403
  brings economy in selling, 520-2
  by California Fruit Growers' Exchange, 253-4
  a cause for direct marketing, 181-2
  cost of, in large scale retailing, 209-10, 217; specialties, 513
  creation of demand by, without lowering prices, 445
  criticism of, 520-2; much unwarranted, 520;
  by department stores, 222
  effect on size of stocks, 538-9
  by the mail order house, 225
  manufacturer who does not advertise or brand, in weak position, 175-6
  national, 191-2
  price maintenance possible through, 448
  and private brand problem, 144-5
  relation to margin of profit, 444
  relation to semi-monopoly by manufacturers, 419-20
  and repeat sales, 419-20
  makes retail selling easier, 195-6
  and retailing, 205-6
  risks minimized by, 355
  in sale of manufactures, 129-30
  standardized goods, 401-2, 403
  by unit stores, 189, 210
Advertising agency, 6, 163-4
Agricultural coöperation, *see* Cooperation by farmers
Agricultural middlemen, wholesale, *see* Farm products, middlemen, wholesale
Agricultural wholesaling, *see* Farm products, wholesaling of
Agriculture, characteristics of, 29-30
Agriculture, U. S. Department of, 86, 97, 238, 301, 479
American Engineering Societies, Committee on Elimination of Waste in Industry, 505
American Engineering Standards Committee, 407
American Society for Testing Materials, standards established by the, 407
Andrews, F., 306
Anti-trust acts, 478
Armstrong, Paul S., 251
Arnold, J. J., 346
Assembling, by retailer, 185
Assembly, Diagram II, 20, 17-19
  of farm products, 69
  by jobber of manufacturers' market, 133-4
  by manufacturers, 18-19, 116
  relation of concentration and dispersion to, 19
  See also Buying
Associations among competing firms, risks minimized by, 355-6
Assorting, 402-3
  See also Grading
Atkins, Paul M., 322
Auction Company, farm products, 68-9, 87-8

Babson, R. W., 392
Bank, the buyer and the, 345-6
  the seller and the, 341-2
Barnes, Julius H., 320

Beard, C. A., 479
Belgium, consumers' coöperation in, 264
Bexell, J. A., 270
Big business, public interest ignored by, 482-3
  unfair methods of, 466-72
Bill of lading, 295
Bogus independents, 469
Bonus to salesmen, increasing sales by, 445
Book accounts, open; growth of, 346-7
Bowen, J. C., 304, 531
Boyle, J. E., 243, 322, 362, 370, 373, 383, 385, 393, 483
Brace, H. H., 362
Branch houses, for direct marketing, 180-1
Branded goods, price-cutting of, 448-9
  relation of price-maintenance to, 460-1
Branded staples, *see* Staples, branded
Branding standardized goods, 403
Brands, manufacturer who does not use, in weak position, 175-6
  effect on retailing, 192-3
  jobber, 175
  manufacturers, relation to direct marketing, 169-170
  private, 142-5
  reduce selling costs, 524-6
  retail, 200-1
Brick and tile industry, 106
Broker, for marketing farm products, 85-6
  for marketing raw materials, 97-8
  of the manufactures market, 116, 159-61
  See also Farm products, middlemen, wholesale; and Middlemen of manufacturers' market, wholesale
Brokerage fee, on Chicago Board of Trade, 374
Broomhall's, news agency, 387
Bruce, A. A., 477
Bryant, R. C., 92
Building industry, shifting risk in the, by contracts, 359
Bulk, sale in, 24
Business, relations of State to, *see* State activities
  disputes, settlement of, 482-3
  policies, importance of market news to, 382
  volume of, in relation to financing, 329-30
Bush Terminal, in New York City, 316
Butler, R. S., 188
Buyer, the bank and the, 345-6
  local, 52-4
  standards and the, 401
  traveling, 50
Buyers, in large retail stores, 213
Buying, by chain stores, 235
  correlation of, with sales, effect on financing, 331-2
  direct, by manufacturers, 277-8
  by farmers' coöperative organizations, 243-4
  facilitated by standardization, 396-7
  for mail order houses, 227-8
  power of large retail organizations, 212-5
  retail, grown more difficult, 191-2, 196-7
  and stock-turn, 204
  weakness of unit store in, 189
  See also Assembly
Buying middlemen, of manufactures market, 161-2

California Associated Raisin Co., 244
California Fruit Growers' Exchange, 244, 245, 251-3
  and the elimination of middlemen, 288
  gathers market news, 394
Canned foods, commission men, 157
  use of broker in marketing, 160
Care of goods in storage, 316, 319
Carload rates, 297-300
  effect on financing, 332-3
Car-lot receivers of farm products, 78
Cars, private, 302

Cash-and-carry system, in chain stores, 233
Cash discount, the, *see* Discounts, cash
Cash payment, reasons for, 342-5
Cash sales, by mail order houses, 226
Cattle industry, commission dealing in, 83-4
Caveat emptor, Doctrine of, 347, 484
Central Live Stock Commission Co., The, 245
Central markets, concentration of storage in, 317
  for farm products, *see* Farm products, markets for central
Central wholesale markets for manufactures, 117-19
Cereals, estimated volume of future trading in, 374
Chain stores, 230-7; advantages of, 232-6; buying by, 235; cash-and-carry system in, 233; consolidation of, 236-7; control and ownership of, 231-2; cost of doing business, 233-4; departmentization in, 236; give exclusive agencies in small towns, 237; future of, 237; "Penny System" of, 237; personnel problems, 236; price appeal of, 233; specialization in, 236; *vs.* specialty store, 232; stock-turn of, 234-5; superior buying by, 235; volume of business, 231
Chamber of Commerce of the U. S. A., 455
  settlement of business disputes by, 482
Channels of distribution, 5
  combination of, 131-2
  destroying competition by closing, 470-1
  fruits and vegetables, 59-62
  manufactures, 126-32
Chemistry, Bureau of, U. S., 485
  power of, to enforce Pure Food and Drug Acts, 484-5
Cherington, P. T., 8, 11, 93, 98, 142, 143, 149, 153, 155, 156, 157, 158, 163, 194, 201, 277, 334, 397, 403, 449, 463, 515
Chewing gum, advertising of, 420
Chicago, freight terminals in, 312
  map of South Water Street Market, 311
  underground freight railroad in, 308
Chicago Association of Commerce, business disputes settled by, 482
Chicago Board of Trade, Market Reports Committee, 393
Chicago produce market, 64
  map of, 311
  perishable foods consigned to, 66
Clapp, E. J., 296, 310
Clay, H., 280
Clay beds, control of, 106
Clayton Anti-Trust Act, 478
Coal, contracts for future delivery of, 102
  transportation rates on, 306
Cold storage, 323-4
  finance of, 549
Collier, W. M., 544
Collins, J. H., 48, 60, 86
Combination, and coöperation, by competitors, 543-5
  risks minimized by, 356
Commerce, Department of, U. S., 388, 479
Commercial paper, 348-9
Commission dealing, in farm products, 79-84
  See also Farm products, middlemen, wholesale
Commission houses, in foreign trade, 164-6
  of manufacturers' market, 116, 155-6
Commission merchants, *see* Commission houses
Commodities, general, news of, 391
Communication, and retailing, 190
Competition, costs of, reduced by recognized standards, 523-4
  and economic effectiveness, 466
  evils of, 537-40
  excessive, illustrated from wheat and flour trade, 531
  excessive costs of, 537-8
  importance of market news to effective, 380-1

Competition, mandatory acts of government to elevate the plane of, 484-7
necessitates excessive stocks, 538-9
between manufacturers and jobbers, effect of on retail buying, 191
price-cutting caused by, 447
and prices, 408-21 (Chap. XX)
and quality, 539-40
between railways and waterways, 294
between retailers, and the price-maintenance problem, 460-2
risks due to, 353-4
semi-monopoly power and, 419-20
State activities to elevate the plane of, 481-7, 489-90; outline of, 485-6
unfair, 466-72; by closing channels of distribution, 470-1; by dishonest practices, 471-2; efforts of trade associations to prevent, 482-4; injurious to public welfare, 472; methods of, 466-72; by price-cutting, 467-70
wastes of, 520-3; remedies for, 540-5
Competitive prices, 409-12
Competitive régime, 498-504
Competitors, coöperation and combination with, 543-5
Compressing cotton in transit, 304
Concentration, of white potatoes, 47 (Map I)
and dispersion, 2-3; relation to assembly, 19; and assembly, Diagram II, 20
facilitates grading, 96
of farm products, 39-42, 65-6, 69, 74-5
number of states interested in markets of 16 cities, 41 (Table III)
of raw materials, 96-7
unimportant with manufactures, 116
of wheat, 4
"Consent decree" of 1920, Packers', 297-8
Consignee, general, 46, 48
Consignment, *see* Commission houses and Commission dealing
Consolidation, of chain stores, 236-7
Census, Bureau of, U. S., 386, 388
Consumer, exercise of choice by, effect on demand creation, 13
inability to judge values, 526-7
interest in marketing, 1, 2
prefers standardized products, 397
sale to, 127-8
will take substitutes, 456
Consumer coöperation, *see* Coöperation by consumers
Consumption, effect of marketing efficiency upon, 497-8
effect of storage on, 323-4
Consumption goods, cost of retailing, 514-16
consumer's failure to measure value of, 438-9
determination of selling price of, 431-2
effect of freight rates on price of, 306
expense of demand creation for, borne by seller, 405
interrelations between prices for, in various markets, 435-6
marketing, 123-5
markets for, 59-61
no definite market price for, 431-3
price in relation to, 123
prices of, 430-3
production of, "for the market," 124
selling, 124-5
service in relation to, 123-4
Consumption wholesale markets, *see* Farm products markets, secondary wholesale
Containers, standard, 402
Contracts, for future delivery of coal, 102
for future delivery, organized dealing in, 361-77
of purchase and sale, shifting and minimizing risk through, 358-61
Convenience, effect on prices, 421, 426

Convenience goods, 222-3
Convenient prices, 426
Converse, P. D., 235
Coöperation, 238-70 (Chap. XIII)
and combination, by competitors, 543-5
coöperative organization laws, 241
by consumers, 260-70; in America, 268-70; economic aspects of, 265-6; English movement, 260-4; features of, 262-8; integration in, 265; "pull" of consumer replaces "push" of profit-seeking, 262-3; weakness of, in America, 268-70
by farmers, 36, 242-60; attitude of business men toward, 250; business relations with growers, 243-4, 246-7; causes for failure of, 258-9; and Clayton Anti-Trust Act, 243; cost of marketing under, 257; federation, 248-58 (*see also* coöperation by farmers, wholesaling); local associations, purposes of, 244-8; organization features of, 243-4; relations with growers, 243-4, 246-7; results of, 259-60; try to secure better prices for farmer, 246; pooling, 243; social results, 257; wholesaling, 248-58—benefits of, 248-9; extent of, 249-50
meaning of, 238-9
one vote per member in, 240
patronage dividend, 240, 241
pay only interest on invested capital, 240
as a remedy for the wastes of competition, 541-2
sources of information upon, 238-9
ultimate purpose of, 239
Coöperative associations, features of organization, 239-42
brand and advertise goods, 403
Coöperative League of America, 268
Coöperative shipping, 53, 54. *See also* Coöperation by farmers
Coöperative spirit, 241-42, 267-268
Coöperative Wholesale Society, of England, 261-2
Copeland, M. A., 327
Copeland, M. T., 8, 32, 94, 105, 106, 153, 155, 160, 162, 169, 187, 224, 278, 392
Corn, average crop in recent years, 374
Corporations, Bureau of, U. S., 468
Correspondence, use of in creating demand, 125
Cost of advertising, *see* Advertising, cost of
Cost of distribution, jobbing lowers, 141
Cost of doing business, chain stores, 233-4
department stores, 220-2
large scale retailing, 216-17, 218
advertising cost, 209-10
mail order houses, 228-9
overhead expense, in large scale retailing, 209-10
retailing, 197-8, 199
Cost of goods, retail mark-up added to, 424-5
Cost of marketing, 505-19 (Ch. XXV)
cartage costs in Washington, D. C., 309
causes of excessive, 505
by coöperative organizations, 250, 265-7
little data concerning, 507-8
and demand creation, 16
direct marketing by manufacturers, 178
effect of speculation on, 374-5
excessive selling costs, 520-7
farm products, 275-7, 508-14
fees, of commission men and brokers, 159
jobbers, 149-52
limits market areas, 442-3
lowered by elimination of middlemen, 273
manufactures, 511-6
and the middleman system, 530
not lowered when middlemen are eliminated, 182
poorly planned markets in relation to, 312-3
production goods, 518-9
retail, 197-8, 199, 515-7

Cost of marketing, service is costly, 501
specialties, 513-4
staples, 511-3
tendency to increase with large scale production, 503-4
transportation, 293, 305-9
trucking, 307-9
Cost of production, and demand creation, 16
relation to market price, 423
relation of prices to, 410-13
relation to retail price, 424
relation to supply and demand, 410-13
varying, and prices, 411-13
Cost of retailing, 514-16
farm products, 508-11
Cost of selling, excessive, 520-7
lowered by advertising, 195-6
Costs, unit, relation of to financing, 329-30
Cotton, compressing in transit, 304; concentration at New York, 70; direct purchase of, 98, 103; financing marketing of, 37, 345-6; factor, 78; markets, 67; marketing of, 31-2, 162-3; warehouses for, 320
Cotton industry, hedging in the, 105, 369; localization of, 41; financing of, 334; marketing in the, 278; integration in, 269
Coulter, J. L., 238
Country general store, 49-50, 186-187
shipping points, *see* Farm products, markets, local
Coyle, W. P., 305
Creation of demand, *see* Demand creation
Credit, banks in relation to, 341-2; "frozen," 327; granting, relation of to financial power, 334; granted by jobber, 135; jobber helps manufacturer with, 139; means of extending for current financing, 336-49; mercantile, 337, 340-1; personal, 337, 339-40; postponing payment, 336-8; security for, 339-41; types of, 336-8; devices, particular, 346-8; period, the, 338-9
Crises, financial, caused by lack of market news, 357
Criticism of marketing system, *see* Marketing system, criticism of
Crop reports, 386-7
Cross freights, 539
Cumberland, W. W., 238, 251
Current financing, *see* Finance; Financing, current
Custom, effect on prices, 421
Customary and convenient prices, 426
Cut-prices, *see* Price-cutting

Dairy products, direct sale of, 45-46
Davis, D. G., 246
Day, Clive, 32
Dealer coöperation, 194-5
jobber's attitude toward, 176
Delivery of goods, department stores, 222
Demand, consumer, determines upper price limits, 422-3, 424, 433-4
effect on monopoly price, 416-18
increased by, advertising, without lowering price, 445; bonus to salesmen, 445; lower prices, 446
relation to retail price mark-up, 425
Demand creation, 12-16
and agricultural market, 38-9
arises from consumers' inability to judge values, 526-7
effect on prices, of consumption goods, 430-1; of equipment, 430-1
importance of, 522-3
jobber's service of, not satisfactory to manufacturer, 173-4
methods of, 14
modern emphasis of, 14-15
nature of, 522-3
need for in marketing manufactures, 112, 113-14
reasons for, 12-13, 15-16
relation to direct marketing, 171
rôle of, 15-16
in the sale of equipment, 122; manufactures, 125-6; produc-

tion goods, 430; raw materials, 430
See also Selling
Demand and supply, fundamental importance of, 414-5
poor adjustment of, 413, 499, 540
relation of competitive prices to, 410-13
relation to cost of production, 410-13
risk due to fluctuation in, 350-4
Demurrage charges, 310-12
Denver, as a central market, 294
Department stores, 218-23; advertising of, 222; cost of doing business, 220-2; delivery service of, 222; departmentization, disadvantages of, 222; origin, 218-19; personnel problems of, 222-3; rent, 221-2; shopping conveniences of, 219-20; stock-turn in, 516 (Table XI); volume of business, 219
Departmentization, in chain stores, 236; in retail stores, 205-7
Description, sale by, 25; aided by standardization, 403-4
Dewing, A. S., 235, 325
Direct buying, by manufacturers, 277-8
Direct marketing, as a means to get jobbers to stock manufactures, 178-9
disadvantages illustrated, 179-80
feasible, when, 179-80
of manufactures, 169-84 (Chap. X), 278-9; and advertising, 181-2; financing of, 178; and scale of production, 287-8; tendencies toward, causes of, 169-70; many manufacturers fail in, 178-9; must duplicate jobber's service, 180-1; often only partially utilized, 183-4; use of branch houses, 180-1.
Direct sale, of farm products, 43-6; to manufacturers, 44
of fruits, vegetables, and dairy products, 45-6
of machinery, 117
of manufactures, 125, 127-8; cost of, *vs.* cost of selling through jobber, 177-81
Discounts, cash, 342-4, 470; historical, 343; for large purchases, effect on finance, 332-3; to large stores, 214-15; relation of, to credit devices, 346
Discounts, indirect, use of trading stamps as, 469
Dispersing middlemen, *see* Farm products, middlemen, wholesale; and Middlemen of manufacturers' market, wholesale
Dispersion, 2-3, 20 (Diagram II)
from central markets, 65-6
of farm products, 42, 65-6, 69, 75
of flour, 4
relation of, to assembly, 19
Distribution, channels of, 5
of manufactures, prevailing methods, 171
State activities to promote more effective, 490-3
Distributive system, criticism of, *see* Marketing system, criticism of
District jobbers, manufactures market, 147-8
Diversion in transit, 303-5
Dividing stocks, by jobber, 134-135
Division of labor, in marketing, 280, 284-5
Dr. Miles Medical Co. *vs.* John D. Park and Sons Company, case of, 451-2, 464
Drafts, 346, 348
Drop shipments, 140
used by mail order houses, 227
Duncan, C. S., 319, 383, 384, 395, 436
Durand, E. D., 246

Eddy, A. J., 389
Efficiency, marketing
elements of, 494-504 (Chap. XXIV)
State efforts to promote, 490-3, 491-2 (Outline III)
Elevators, local grain, 52-4
hedging by, 366-8
terminal, hedging by, 362-6
operations of, 362-6
Elimination of jobber, by manufacturer, 140-1

Elimination of middlemen, by California Fruit Growers' Association, 252-3. *See also* Middlemen, elimination of
Ely, R. T., 475, 544
Emery, H. C., 362
Entrepreneurs, risks borne by, 378-9
Equipment, 8; marketing of, 121-2; no definite market price for, 431-3; prices of, 431-3; specialties, 431
Erdman, H. E., 257
Evils of marketing, combated by farmers' coöperation, 256-7
Exchange, *see* Transfer of title
Exchanges, farm products, 68-9
  seldom found in manufacturers' market, 119
  organized, 361-77; functions of, 362
Exclusive agency, the, 237
Exclusive dealing contract, 470
Expense distribution percentages, wholesale, 151
Expense of marketing, *see* Cost of marketing
Expense percentages, wholesale, 150 (Table V)
Export merchant, the, 166-7
Export markets, 67-8
Export trade, coöperation in, 168
Express, direct sale of farm products by, 45
  direct selling by, 542-3
  service, 300-1
"Eye-value," in pricing, 426

Factor, cotton, *see* Cotton factor
Factor, in textile trades, 155-6. *See also* Commission houses
Farm products, auction companies, 68-9, 87-8
  cattle, commission dealing in, 83-4
  classes of markets for, 58-73
  commission dealing in, 79-84; rise of outright purchase from, 81-4
  concentration of, 39-42, 41 (Table III), 47 (Map I), 74-5
  cost of marketing, 508-11
  cost of physical distribution, 509
  cost of retailing, 508-9
Farm products, dealers' margins in, 509
  direct sale to manufacturers, 44
  dispersion of, 42, 75
  exchanges, 68-9
  functional specialists, 88-9
  improved through coöperation by farmers, 247-8
  interrelations between prices of, in various markets, 435-6
  irregularities in production and sale of, 32-3
  market news of, 386-7
  marketing of, 29-54 (Chap. III); coöperation by farmers in, 36, 54; contrasted with marketing manufactures, 77; direct sale in, 43-6; effect of localization of manufacture on, 40-2; methods of, 42-54; variations in, 30-1, 42-3
  markets for, central, 56-8, 62-71
    characteristics of, 64; dispersion from, 65-6; distribution from, 56-9; primary markets, 66-7; receipts and shipments from, 57 (Table IV); shipments between, 57-8; shipments from, to jobbing markets, 58
    Chicago produce markets, 64
    classes of markets, 58-9
      cotton, 67
      export, 67-8
      import, 68
    functions of, 62
    jobbing, 69-71; receipts from central markets, 58. *See also* Farm products, markets, secondary wholesale, and jobbing centers
    local, 58-9, 62
    primary, 66-7
    produce, scale of operations in, is small, 76
    public, 44-5
    relation of, to consumption goods and raw materials, 59-62
    retail, 59, 71-2
    seaboard, 67
    secondary wholesale, 59, 69-71. *See also* Farm products, markets, jobbing

Farm products, markets for, terminal, 60
wholesale, 55-89 (Chaps. IV and V); facilities of, 55-56; operations in, 74-7; produce, 312-3
wool, 67-8
middlemen who distribute
forwarder, 46-8
general consignee, 46-8
jobber, buys in central markets, 70
local, 46-54; country general store, 49-50; local buyer, 52-4; retail store, 48-50; traveling buyer, 50
specialization of, by products, 7
wholesale, 74-89 (Chap. V); broker, 85-6; car-lot receivers, 78; combining operations of, 75-7; commission men, 78, 79-84; confused nomenclature, 74; cotton factor, 78, 80; dispersing, 75-7; functional, 78; grain jobber, 85; jobber, 78, 86-7; merchant, 78; commission merchant, 78; receivers, 75-7; specialization by products, 7, 77; speculators, 88; wholesalers, 78; wholesale receiver, 78-9, 84-5
optional uses of, 33
outright purchase of, 78; rise from commission dealing, 81-84
prices, effect of optional uses of farm products on, 33; closely follow wholesale prices of, 438
production of, by scattered producers, 33; far from markets, 30
ready for consumption, marketing of, 59-61
retailing of, *see* Retailing, farm products
sale by farmer to middlemen in outside markets, 54
seasonalness of, 32-3; and finance, 326-7; illustrated by strawberry shipments, 34; seasonalness of wheat purchases, 35
Farm products, shipment from central markets to jobbing markets, 58
specialized production of, 30
speculation in, 75, 88
storage of, 32-3, 313-4, 320-1
transportation of, 32-3; transportation and storage, difficulties in, 32
used as raw materials, marketing of, 61-2
variations in amount and quality, 33
wholesaling of, 55-73 (Chap. IV); definition, 55; establishing business connections with growers' market, 55; facilities of wholesale markets, 55-6
Farmer, and demand creation, 38-9; difficulties of, with finance and labor, 37; aided by hedging, 369-70; coöperation by, *see* Coöperation by farmers; and marketing, difficulties, 36-7; individualism of farmer, 36
Farmers' Educational and Coöperative Union, 245
Federal Reserve Board, 348
Federal Reserve Bulletin, 117
Federal Trade Commission, 60, 62, 66, 87, 92, 102, 106, 107, 109, 116, 157, 158, 159, 160, 180, 245, 257, 259, 301, 311, 312, 313, 318, 321, 362, 364, 366, 372, 374, 383, 387, 393, 394, 405, 464, 466, 467, 468, 487, 507, 509, 511, 528, 536, 543
classification of unfair methods of competition by, 467; *vs* Beech-Nut Packing Co., case of, 452
Federal Trade Commission Act, 478
Federation of local coöperative associations of farmers, 248-258
Field, C. C., 213
Fighting brands, 469
Finance, function of, 22-3
market, 325-49 (Chap. XVI)
seasonal, 325-8; causes of, 327-8; conditions determining funds needed, 328-33

Finance. *See also* Financing, and Financial
Financing, current, meaning of, 325. *See also* Finance, Financing.
Financing,
of crops made safer by hedging, 370
and farmers' market problems, 37
direct marketing in relation to, 182-3
the marketing of cotton, by local merchants, 37
by middlemen, division of burden of financing with, 333-335
power in, helps retail buyers, 213-14
problem of, in direct marketing, 178
source of funds, and means of extending credit, 336
and standardization, 397-8
and stock-turn, 335
storage in relation to, 318-320
stored goods as collateral, 322
See also Credit, Finance.
Financial obligations to supply houses, avoided by cash payment, 344-5
Financial power, and division of credit burden, 333; effect on type of sale, 83
Fisher, J. W., Jr., 60, 86
Fixed prices, *see* Price-maintenance
Flour, dispersion of, 4
Flour milling, 41
Food, pure, laws, 478
Foodstuffs, sometimes used as raw materials, 90
Foods, direct marketing of, 179-80; marketing through brokers, 159-60; perishable, transportation of, 301-2
Ford, Henry, 293
Forecasting the market, 382-3
Foreign and Domestic Commerce, Bureau of, U. S., 387, 388, 390-91, 512, 532
Foreign trade, middlemen of, 164-68
Foreign Trade, Advisers, Bureau of, U. S., 391
news, sources of, 390-1
Foster, L. G., 246
Francisco, Don, 254
Frederick, J. G., 384, 527
Frozen credit, meaning of, 327
Fruits, channels of distribution of, 60; coöperative marketing of, 251-3; direct sale of, 45; marketing of, 59-61; marketing of, by various methods is common, 42-3; as raw materials, 90; standardization of, 402-3
Full line forcing, 470
Functional market agencies, 6
Functional middlemen of exchange, 6
of farm products market, *see* Farm products, middlemen
of manufacturers' market, 153-64. *See also* Commission houses, Selling houses, Sales agents, Manufacturers' sales agent, Selling agent, Broker
sale of manufactures through, 130
Functions of marketing, 10-28 (Chap. II). *See also* Marketing functions
Fungible goods, storage of, 321
Future delivery, contracts for, to assure supply of raw materials, 101-2
Future trading, in cereals, volume of, 374
diminishes price fluctuations, 434
"Futures," organized dealing in, 361-77

Garner, J. W., 473
General consignee, 46-8
Gentlemen's agreement, relation of to price-maintenance, 457
George, F., 386, 387
Good will, of raw material supply houses, assures supply, 100
unfair use of manufacturer's by price-cutters, 454-6, 462
Goodrich Rubber Co., B. F., 96, 98
Goods, branded, 403
classes of, 7-9

Goods, equipment, 8
fungible, storage of, 321
for personal consumption, 7
production, 8
Government, relation of, to marketing, 473-93 (Chap. XXIII). *See also* State, relation of, to marketing
Government control, of monopoly, 420
regulation and guarantee of price and service, minimizes risks, 355
Grades, *see* Standardization
Grading, 27, 396; benefits of, 96; at country general store, 49-50; improved by coöperative movement, 247-8; in storage, 316; relation to standardization, 27, 396. *See also* Standardization
Grain jobber, 85
Grain, concentration of, 70; coöperative marketing of, 254-5; grading, 403; marketing at country points, 51 (Diag. III); marketing of, 61-2; contracts for future delivery, 364-8; storage of, 320; warehouses for, 320
Grain elevator, local, 52-4
Great Atlantic and Pacific Tea Co. *vs.* The Cream of Wheat Co., case of, 452
Grocery jobbers, 148
Growers' local market, *see* Farm products, markets, local

Hagerty, J. E., 337
Haney, L. H., 303, 448, 544
Harris, E. P., 238, 261, 262, 263, 267, 533
Hartley, E. F., 309
Harvard University Bureau of Business Research, 151, 172, 180, 193, 196, 198, 220, 494, 507, 515, 516
Harvey, R. S., 168
Heater cars, 302
Hedging, benefits of, 369-70; in the cotton industry, 105; by country elevators, 366-8; does not eliminate all risk, 370-2; by manufacturers, 368-9; meaning of, 363; of raw materials, 105-6; shifting risk through, 362-77; and speculation, 372-7; by terminal elevators, 362-5
Heilman, R. E., 444
Hibbard, B. H., 29, 238, 246, 259
Hillquist, Morris, 541
Hobson, Asher, 258
Holmes, G. K., 102, 251, 324, 382
Hoover, H., 505
Hough, B. O., 166
Hoyt, H., 528, 539
Huckster, The, 43
Huebner, G. G., 29, 56, 59, 306
Huebner, S. S., 365
Hurd, C. W., 234

Import markets, 68
Individualization of products, 524
Industrial Commission, U. S., 323
Ingersoll, W. H., 205
"Inside" prices, in large scale retailing, 214
Inspection, of goods in storage, 316; of raw materials, 95-6; of rubber, 95-6; sale by, aided by standardization, 397; of wheat, 95, 404. *See also* Standardization
Insurance, shifting risks by, 377-78
International Harvester Co., 107
International Institute of Agriculture, 387
Integration, advantages of, 290-92
of large scale retailing with jobbing and manufacturing, 215
between manufacturers, 115
in manufacturers' marketing, 146, 156-7
in marketing, 283-8
Interstate Commerce Commission, 295, 297, 305
Ivey, Paul W., 126, 194, 414, 426

Jenks, J. W., 16, 544
Jesness, O. B., 242, 243, 247, 260, 265
Jobber, advantages in marketing, illustrated, 179-80
brands of, 175
direct purchase by, 279

Jobber, eliminated by large stores, 215
farm products, 70, 78, 86-7; source of products handled, 86-7
grocery, 148
local, advantages in merchandising staples, 149
mail order, 146
of manufacturers' market, 133-51 (Chap. VIII); attitude toward dealer coöperation, 176; chief service to assemble for retailers, 133-4; district, 147-8; eliminates manufacturers, 141-5; elimination of, 173-4; local, 149-151; losing ground, 170-2; and manufacturers' brands, 170; national, 147; not interested in new manufactured products, 175; selling assistance to retailers, 194-5; service, 172-81; service to manufacturer, 137-40; service to retailer, 134-7; a specialist in distribution, 135-6, 137-8; type of product sold by, 146-7; types of, 146-51; handles a variety of products, 138
and price-maintenance, 457-8
sale of manufactures to, 129-30
sales efforts of, and manufacturers' direct marketing, 173
special reasons for assisting manufacturer to sell, 174
Jobbing, and carload rates, 298-300
Jobbing centers, 298-300. *See also* Farm products, markets, jobbing
Jobbing markets for farm products, 69-71. *See also* Farm products, markets, secondary wholesale; and Manufactures, markets for, wholesale
Johnson, E. R., 298, 301
Jones, Eliot, 107, 168

Keir, Malcolm, 91, 118
Kelly, E., 541, 544
Kerr, W. H., 260, 265, 270
Kile, O. M., 254
King, Clyde L., 43
Kniffin, W. H., 337, 343
Knight, F. H., 409, 411
Knowledge of the market, risks minimized by, 356-7

Labor and the farmer's market problem, 37
Labor, Department of, U. S., 95
Labor Statistics, Bureau of, U. S., 85, 388
Laissez faire policy, 476-7
Langston, L. H., 339
Large scale production, as a cause for demand creation, 112; effect on marketing costs, 503-4
Large scale retailing, *see* Retailing, large scale
"Leaders," using branded, advertised goods as, 448-9
Legal status of open price associations, 389-90
Leighton, Henry, 92, 106
Lesher, C. E., 102
Less-than-carload rates, 297-300
Live stock, coöperative marketing of, 255
Livingston, G. K., 52
Lloyd, J. W., 252
Loans, bank, to sellers, 341-2
short time, 326-7, 342-5
Local buyer, 52-5
Local coöperative association of farmers, 244-8
Local jobbers of the manufacturers' market, 149-51
Local markets for farm products, *see* Farm products, markets, local
Local shippers, *see* Farm products, middlemen, local
Local shipping points, *see* Farm products, markets, local
Localization of manufacture, 40-3. *See also* Manufacture, localization of
Lough, W. H., 325, 326, 341
Lumber, 91; diversion in transit, 304

Macy & Co., R. H., 449
Machinery, sale of, 117
McKechnie, W. S., 475
McKerron, W. A., 243

Macklin, T., 29, 249, 250, 259, 409, 413, 414, 433, 442, 515
McNall, P. E., 515
Macpherson, H., 268, 270
McPherson, L. G., 301, 306, 307
Mail order house, the, 223-30; advertising of, 225; buying for, 227-8; carries wide variety of merchandise, 227-8; cash sales of, 226; cost of doing business, 228-9; disadvantages of, 228-30; guarantee of goods, 226; merchandising methods, 225-6; price appeal, 227-8; rise of, 225; system in, 228; transportation costs and, 229; use of drop shipment, 227; volume of business, 224, 226, 227
Mails, the, dissemination of market news by, 385
Mandatory acts of government, 479-80, 484
Manufacture, localization of, 40-42
Manufactured goods, control of quality of, 111
control of volume of, 112
cost of marketing, 511-7
easily standardized, 402
faith in producer of, 111-2
large scale production of, 112
market news of, 387-8
marketing of, 111-32 (Chap. VII); changing conditions in the, 114-5; tendency to eliminate middlemen in, 114-5
to be assembled, 7, 8
kinds best sold by jobber, 174-5
markets, wholesale, for, 115-9
need for demand creation in sale of, 112-4
semi-, 7, 8
tendency toward overproduction, 112-3
Manufacturer - jobber - retailer consumer channel of distribution, 129-30
Manufacturer - retailer - consumer channel of distribution, 128-129
Manufacturer - selling-agent - jobber - retailer - consumer channel of distribution, 130
Manufacturer, the, argument of, favoring price-maintenance, 454-6, 459-60
assembly by, 18-9
direct buying by, 277-8
"going around" the jobber, 140-141
hedging by, 368-9
helps dealer to sell, jobber's attitude, 176
objections to price-cutting, 448-51
and price-maintenance, 454-6, 463-5
retail price set by, 426-7
status of, regarding price-cutting and price-maintenance, 456-457
who does not brand or advertise, 175-6
Manufacturer's agent, 116
in foreign trade, 167-8
Manufacturer's market, the cost of direct selling *vs.* selling through jobber in, 177-81
direct selling in, 169-84 (Chap. X)
Manufacturer's sales agent, 157-159
Manufactures, census of, 91, 388
central markets for, development of, 117-9
classes of, 120
channels of distribution for, 126-32
demand creation for, 125-6
direct sale of, 127-8
markets for, central wholesale, 117-8; development of small wholesale centers, 119
middlemen of the, 115-7, 129-32
services of, sometimes partly performed by the manufacturer, 130-1
wholesale, 133-68 (Chaps. VIII, IX)
commission men, 116
jobber, 111-32 (Chap. VII)
jobber's hold on retailers, 132; manufacturer's agent, 116; selling agent, 116. *See also* Jobber of the manufacturer's market

Manufactures, sale of, 119-20; through functional middlemen, 130; to consumers, 127-8; to jobbers, 129-30; to retail stores, 128-9
wholesaling of, economy in, 117
Manufacturing progress, and retailing, 191-3
Market, definition of a, 3-5
forecasting the, 357-8, 382-3
price of fundamental interest to, 408-9
world, *see* World market
Market areas, factors which limit, 440-3; relation of transportation to, 296-7
Market centers, and geographical conditions, 293-4; and transportation, 294-5
Market conditions, general news of, 392
Market finance, *see* Finance, market
Market news, 380-95 (Chap. XVIII); cause for increased efficiency in marketing farm products, 57-8; control of, 392-4; dissemination of, 385-6; and diversion of cars in transit, 303; effect on price, 413; importance of, 380-81, 395; inadequate, cause for business failures, 380-81; interpretation of, 383-4; minimizes risk, 351-2, 356-7; private collection of *vs.* collection by the government and by trade associations, 394-5; problems arising from inadequate, 381-2; relation to speculative price, 415; sources of, 384-92; timeliness of, importance of, 383, 394
Market price, *see* Price, market
Market risk, *see* Risk
Market wastes, 499-500
Marketing, conflicting interests, 2
cost of, *see* Cost of marketing
criticism of, conclusions, 545
definition of, 1
determining conditions of modern, 502-4
different interests in, 1
groups involved in, 1
Marketing, by manufacturers, variety of methods used, 171
efficiency of, components of, 495-6; effects of, upon production and consumption, 497-8; elements of, 494-504 (Chap. XXIV); investigation of, from private point of view, 494-5; investigation of, from public point of view, 494-5; technical problems of, 496-7
need for, 1
Marketing farm products, methods of, 42-54
Marketing functions, the, 10-28 (Chap. II) cost of performing, data lacking concerning the, 505
division of between manufacturer and jobber, 140-41
outlined, facing p. 27 (Outline III)
Marketing system, criticism of, 498-504, 520-45 (Chap. XXVI); lack of accurate information for criticism, 494
Markets, public, direct selling through, 542-3
interrelations of prices between, 435-6
Markets and Crop Estimates, Bureau of, U. S., 242, 250, 386-7, 400, 401, 495
Marshall, Alfred, 208, 209, 218, 221, 409
Marshall, L. C., 475, 479
Marshall Field, 200
Marshall Field & Co., 211
Maxwell, William, 267-8
Meat packers, and direct marketing, 179-80
Merchant-converter, the, 162-3
Merchants, 5; market risk borne by, 360-1; of raw materials market, 97-8. *See also* Farm products, middlemen; Middlemen of manufacturer's market
Merriam, C. E., 476
Merritt, E. B., 182
Michigan Potato Growers' Exchange, 251
Middleman system and marketing costs, 530

Middlemen, are there too many? 272-3, 530-37
buying, 161-2
classes of, 5-7
concentrating, 6-7
dispersing, 6-7
division of burden of finance with, 333-5
elimination of, 156-7, 173-4, 271-92 (Chap. XIV); in agricultural market, 275-7; arguments for, 273, 280-1; conditions which make it feasible, 286-7; by direct marketing of manufactured products, 278-9; does not eliminate need to perform marketing functions, 280-81; effect of industrial conditions on, 285-6; importance of individual ability to, 288-9; by manufacturers, 182-4, 277-9; nature of problem of, 272-3; by other middlemen, 279; who can eliminate? 274-5; who profits by? 282-3
of foreign trade, 164-8
functional, of exchange, 6; of the manufacturers' market, 153-64. *See also* Functional middlemen of the manufacturers' market
interest of, in marketing, 1, 2
of manufacturers' market, 115-17, 128-32
market risk borne by, 360-61
need for, 292
and price-maintenance, 457-8
profiteering by, 537
of raw materials market, 97-99
specialization of, by products, 6-7. *See also* Farm products, middlemen; Middlemen of the manufacturer's market; and Foreign trade, Middlemen
wholesale, 133-52 (Chap. VIII), 153-68 (Chap. IX). *See also* Jobber of manufacturers' market; and Functional middlemen of manufacturers' market
Milling in transit, 303-4
Mitchell, W. C., 429, 540
Money, is standardized, 404-5
Monopoly, effect on price, 416-20; government control and operation of, 420; price (*see* Price, monopoly); relation of, to control of raw material supplies, 106; retail, fostered by price-maintenance, 458-9; state control of, 487-90; outline of acts to control, 488
Montague, G. H., 544
Montgomery Ward & Co., 224, 225
Monthly Survey of Current Business, 388
Motor truck, 46
Moulton, H. G., 325, 347, 348
Mudgett, Bruce D., 387
Murchison, C. T., 452, 455, 457

National jobbers of manufacturers' market, 147
National Live Stock Producers' Association, 245, 255
National Retail Dry Goods Association, 514, 516
Bureau of Research and Information, 217, 220
Naylor, E. H., 389, 390
New England, receives farm products from various sources, 40
New York, as a central market for manufacturers, 118; produce market, 40; receives farm products from various sources, 40
News, market; *see* Market news
Nixon, R. L., 318
Normal price; *see* Price, normal
Northwestern University, Bureau of Business Research, 189, 199, 205, 206, 221, 494, 507, 515, 516
Notes, promissory, 346-7
Notz, W. T., 168
Nourse, E. G., 11, 29, 59, 64, 76, 87, 280, 301, 313, 321, 324, 509, 510, 511, 535
Nystrom, P. H., 171, 187, 188, 210, 220, 221, 224, 228, 280, 502, 533, 535

Oliphant, H. E., 479
One-price policy, 399, 431-2
One-price system, in retail trade, 424
Open book accounts, Growth of, 346-7

Open price associations, 389-90
"Orderly" marketing and "stabilization" of price, 257-8
Orth, S. P., 475
Outright purchase, the wholesale receiver, 84-5
Overproduction, 499; definition of, 113; and demand creation, 13, 15; effect of on financing, 335

Packaged goods, 193
Packers' "consent decree" of 1920, 298
Parcel post, 301
  direct sale by, 542-3
  direct sale of farm products by, 46
Parlin, C. C., 12, 139-40, 148, 151, 191, 219, 223, 299
Penny system of chain stores, 237
Perishable foods, and direct marketing, 172; diversion in transit, 303; fast freight lines for, 302; limited market area for, 442; marketing of, 30-31; need for market news in marketing, 381-2; storage of, 323-4; transportation of, 301-2
Personal salesmanship, 125
Personnel problems, chain stores, 236
  department stores, 222-3
Philadelphia Commercial Museum, 391
Philadelphia, wholesale market of, 58
Physical distribution, 293-324 (Chap. XV); aided by standardization, 398; and direct marketing, 171-2
Pipe lines, 302
Plehn, C. C., 254
Pooling, meaning of, 243
Pope, J. E., 37, 373
Potatoes, concentration of, 47
Powell, G. H., 238
Pratt, E. E., 168
Preparation of goods for market, time of, relation to financing, 330-31
Press, the, dissemination of market news by, 385
Price, H. B., 398
Price (and Prices)
  and competition, 408-21 (Chap. XX)
  agreements, retail, 427
  appeal, of chain stores, 233; of mail order houses, 227-8
  competitive, 409-13
  constantly on trial in market, 445
  of consumption goods, 430-34
  definition of, 409
  effect of false market news on, 393
  effect of freight rates on, 306
  effect of market news on, 380
  effect of speculation on, 374-5
  of equipment, 431-3
  evolution of a, 429
  fluctuations in, risks due to, 350
  following competitor's, 427-8
  of fundamental interest in the market, 408-9
  high, and price-maintenance, 462-3
  "inside," 214
  interrelations of, in various markets, 435-6
  limits to, 429-30
  lowered, increasing demand through, 446
  manipulation of price by speculation, 376-7
  market, 413-14, 422-46 (Chap. XXI); advance determination of, 443-5; consumer's inability to compare qualities, 433; fluctuations in, 434; limits to, 422-3, 435; price basis, 432-3; quality and price basis, 432-3; quality basis, 432-3; relation of cost of production to, 423; relation to normal price, 422; varying conditions operating on, 422; varying reactions of consumers to identical goods, 433
  at market minus, 432-3
  at market par, 432-3
  at market plus, 432-3
  monopoly, 416-20; affected by elasticity or inelasticity of demand, 416-17; determining, 418-19

Price (and Prices), normal, 414-15; causes for variation of market price from, 413, 415-21; relation to market price, 422
one price system, in retail trade, 424
producers' share in, 499
of production goods, 430; effect of transportation rates on, 306
retail, 423-8; custom and convenience important in determining, 421; customary and convenient, 426; determination of, 424-8, 436-40; determines upper limits to prices at preceding points, 424; effect of transportation costs on, 306-7; estimating the proper, 426; evolution of, 429; following competitor's, 427-8; the "mark-up," 424-6; one-price plan, 199-200; reasons for frequent fluctuations in, 436-8; relation to stock-turn, 203-4; relation to wholesale price, 439-40; suggested by manufacturer, 426-7; upper limit to other prices, 423-4;
semi-monopoly, 419-20
speculative, 415-16
and stock-turn, in retail stores, 203
"stabilization" of, through "orderly" marketing, 257-8
standardized, 399
State activities affecting, outline of, 480
storage in relation to, 322-3
types of, 413-14
variations in effect on financing, 333
varied to appeal to different classes of buyers, 445
wholesale, effect of transportation rates on, 306-7; importance of, 439-40; relation to retail price, 439-40; variations in, 438-9; for staples, 440-43; by big business, 467-72
Price agreements, 389-90, 427; legality of, 484; retail, 427
Price-cutting, below cost of production, 468; evils of, 454-62, 464; lowering quality to avoid, 448; lowers profits, 455; methods of, which are "unfair," 467-70; objections of manufacturers to, 448-51; remedies for, 447-8; result of competition, 447. *See also* Price-maintenance
Price-maintenance, 447-66; arguments of manufacturer for, 454-6, 459-60; definition of, 451; and efficiency, 462-3; and high prices, 462-3; legal status of, 451-4, 464-6; and the manufacturer, 465; manufacturer's dilemma, 463-4; and middlemen, 457-8; and the public, 459-62; problem of, 451; retail monopoly fostered by, 458-9. *See also* Price-cutting
Price policy, of consumers' coöperative organizations, 263
Price practices, unfair, 467-70
Price setting, no beginning or end to process of, 429
Price system, effectiveness of, under competitive régime, 500-1
Private brand problem, jobber's point of view of, 142-6
Produce markets, congestion in, 311-3; New York, 40; poor location of, 312; sources of information on, 387
Producer, attitude toward elimination of middlemen, 285
interest in marketing, 1-2
Production, correlation of, with sales, effect of on financing, 331-2
cost of, *see* Cost of production
effect of marketing efficiency upon, 497-8
effect of storage on, 323-4
large scale, in relation to need for marketing, 1, 534
modern methods of, require more marketing machinery, 534
roundabout, influence of on risk, 352-3
scale of, and prices, 408
seasonal, effect on financing, 331
specialized, of farm products, 30

Production goods, 8; cost of marketing, 517-9; demand creation in the sale of, 430; effect of freight rates upon prices of, 306; prices of, 430
Products, attributes of, difficult to standardize, 407
individualization of, 524
Profit, dealers' margins of, on produce, 509
effect of price-cutting on, 445
margin of, relation of price to, 408-9
middleman's, not excessive, 177-8
retail, margins of, 515 (Table IX)
speculative, 365-6
trade, 365-6
wholesale middlemen's, margins of, 518 (Table XII)
Profiteering, by middlemen, 288-9, 537
not confined to middlemen, 537
Promissory notes, 346-7
Psychical element in sales, 529-30
Public markets, *see* Farm products, markets, public
Purchase and sale, terms of, effect on financing, 332-3
Purchases, return of, in large department stores, 218
women's, are of two classes, 222-3
Purchasing, *see* Buying
Pure food laws, 478
Pure Food and Drug Act, 480

Quality, and competition, 539-40
lowering, to avoid price-cutting, 448
not insured by competition, 539-40
outline of state activities affecting, 481
standards of, difficult to establish, 405-7

Rae, John, 476
Rates, carload, 297-300
and jobbing, 298-300
less-than-carload, 297-300
storage, control of, 321-2
Raw materials, 7, 8, 90-110 (Chap. VI)
brokers, used in marketing, 97-8
cannot be closely graded, 404
concentration of, 96-7
contracts for future delivery of, 100-102
control of sources of supply of, 106-9
demand creation in the sale of, 430
future contracts for, disadvantages of, 103-5
grading of, benefits of, 96
hedging and supply of, 105-6
importance of middlemen, 97
indirect control of supply, pipe lines, 108-9
inspection of, 95-6
markets, 59-62
merchants, 97-8
methods of assuring a supply of, 99-109
middlemen are valuable to marketing of, 278
need for a continuous assured supply of, 99
need for standardization of, 93-96
purchase of, in open market, 99-101; season's supply, 102-6
and secondary wholesale markets, 69-70
small scale production of, 90-91
stocks, reasons for carrying large, 103
storage of, 313-4
supply of, manufacturers use various methods to assure, 110
transportation of, 91-3
Receiving middlemen, *see* Farm products, middlemen, wholesale
Refrigeration in transit, 301-2
"Regular" dealers, 470-1
Rent, department store, 221-2
"Repeat" sales, 419-20
Resale contracts, legalization of, 453
Resale price-maintenance, *see* Price-maintenance
Retail distribution, *see* Retailing
Retail price, *see* Price, Retail

Retail Research Association, 218, 220
Retail stores, *see* Retailing
Retailing, 185-237 (Chaps. XI and XII)
advantages of small *vs.* large stores, 535-6
and advertising, 195-6, 205-6
assistance from manufacturers, 194-5
bases of competition, 198
buying for retail stores, 193-4, 204, 212-15; grown more difficult, 191-2, 196-7
and communication, 190
cost of, 197-8, 199, 514-15
country general store, 49-50; 186-7
departmentization of retail stores, 205-7
elaboration of service, 198-9
farm products, 71-2; cost of retailing, 508-9; sale of to retail stores, 48-50; difficulties involved in, 48
grown more difficult, 192
inefficiency of, 197-8
large scale, 208-37 (Chap. XII); adequate stocks, 211-12; advantages of, 208-16; advantages vary as between types, 215-16; advertising, cost of, 217; buying power, 212-15; chain store, 230-7, *see also* Chain store, the; cost of advertising, 209-10; cost of doing business, 216-18; cost of getting business, 217; costs of, overhead expense, 209-10; department store, 218-23, *see also* Department store, the; disadvantages of, 216-18; do own jobbing, 215-16; integration with jobbing and manufacturing, 215; mail order house, 223-30. *See also* Mail order house, the; service in, 211-12; specialization, 208-9; stock-turn, 210-11; volume of purchases, 213
mail order house preferred by some housewives, 189
and manufacturing progress, 191-93
Retailing, margins, 509; Table IX, 515; largest, 518
methods and policies of retail stores, 198-200
private brands, 200-201
return privilege, 200
relation of number of stores to volume of business, 533-34
sale by manufacturers to retail stores, 128-9
self-serve store, 233
service of, 185-6, 198-9; tendency toward better, 195
solicitation in stores, 200
stock-turn of retail stores, 201-5, 210-11, 516
too many stores, 533-4
and transportation, 190
types of retail stores, 186-90
unit stores, 187-90. *See also* Unit store, the
use of advertising in, 205-6
who bears excessive cost of ?, 534-5
Returned goods in large retail stores, 218
Ries, Heinrich, 92, 106
Rindsfoos, C. S., 90
Ripley, W. J., 306, 490
Risk, 23, 350-79 (Chap. XVII)
as a cause for outright purchase of farm products, 81-2
division of burden of with middlemen, 333-5
due to, competition, 353-4; human causes, 354; natural causes, 354; price fluctuations and, 350
minimizing, methods for, 354-79; by contracts, 359-61
of producers greater than of middlemen, 288
place, 351-2
relation of storage to, 318-20
residual, 361
shifting, 357-79; by contracts, 358-9; by insurance, 377-8
and stock-turn, 205
time, 350-51, 352-3
Risk - taking, function of, *see* Risk
Rochdale Society of Equitable Pioneers, 260-1

Rubber, 98
inspection of, 95-6
Ruggles, C. O., 310

St. Louis, as a market city, 294
Sale, bases of, 24-6
in bulk, 24
by description, 25
aided by standardization, 403-4
by manufacturers, to consumers, 127-8; to jobbers, 129-30; to retail stores, 128-9
methods of, outline of, 26
and purchase, terms of, effect on financing, 332-3
by sample, 24-5
by sample and inspection, aided by standardization, 397
Sales, correlation of with production, effect on financing, 331-2
increased by bonus to salesmen, 445
"repeat," 419-20
retail, increasing demand by lowering prices, 446
seasonal, 449; effect on financing, 331
Sales agent, manufacturer's, 157-9
Sales efforts, risks minimized by, 355-6
Sales promotion agency, 163-4
Salesmanship, 125
cost of *vs.* cost of advertising, 520-2
Salesmen, and standardized products, 401-2
Sammons, Wheeler, 217
Sample, sale by, 24-5; aided by standardization, 397
use of, as a method of demand creation, 125
Samson, H. W., 406
Seaboard markets, 67-8
Sears, Roebuck & Co., 224, 226
Seasonal finance, *see* Finance, seasonal
Seasonal goods, storage in relation to, 322-3
Seasonal production, effect on financing, 331
Seasonal sales, effect on financing, 331; at retail, 449
Seasonalness, of farm products, 32-5; of grain purchases, 35 (Table II); strawberry shipping seasons, 34 (Table I); of wheat purchases, 35
Secondary wholesale markets, *see* Farm products, markets, secondary wholesale
Secrist, H., 384
Seeds, K. B., 52
Self-serve store, 233
Selling, facilitated by standardization, 396-8
financed by banks, 341-5
mass methods of, call for standardization, 401-2
psychical elements in, 529-30
State activities affecting, outline of, 480
See also Demand creation
Selling agents, for manufactures, 116, 157-9
Selling costs, excessive, 520-7
Selling effort of jobber, not satisfactory to manufacturer, 173-4
Selling house of manufacturers' market, 130, 155-7
Semi-manufactured products, marketing of, 120-1
Semi-monopoly price, 419-20
Semple, Ellen C., 30, 63, 294
Service, is costly, 501-2
importance of, 283, 501-2
large scale retail, 211-2
of middlemen, 283
not well done for manufactures by middlemen, 286
retail, 185-6, 195, 197-9
standardized, 398-9
state activities affecting, outline of, 480
storage, nature of, 315-16
Shaw, A. W., 6, 11, 13, 24, 185, 272, 274, 432, 525, 526
Shaw, A. W., Co., 136, 150, 536
Sherman, W. A., 60, 86
Sherman Anti-Trust Act, 478, 488-89
Shifting risk, *see* Risk, shifting
Shippers' representative, 85
Shopping goods, 222-3
Shopping conveniences of department stores, 219-20
Simmons, E. C., 180
Skelton, O. D., 476, 541

Slichter, S. H., 452
Small scale industry, predominates in agriculture, 29-30
Small scale production of raw materials, 90-1
Smith, Adam, 475, 476
Smith, J. R., 57, 108
Socialism, as a remedy for wastes of competition, 540-1
Sonnichsen, A., 238
South Water Street, Chicago, Map of, 311
Spargo, John, 476, 541, 544
Specialization, as an explanation of middlemen, 290
in chain stores, 236
control of, in marketing, 283-5
divides style and credit risks, 162-3
in large scale retailing, 208-9
in marketing, 284-5
and need for marketing, 1
Specialized production of farm products, 30
Specialties, 12, 39, 122
cost of advertising, 513
cost of marketing, 513-5
not well sold by jobbers, 170, 176-7
prices of, 431
and direct sale, 171
Specialty stores, *see* Retailing, unit stores.
Speculation, 372-7
effect on prices, 374-5
evils of, 375-7
in farm products, 88
and hedging, 372-4
manipulation of prices in, 376-7
Speculative prices, 415-6
Speculative profit, 365-6
Spence, W. H., 452
"Spread," between prices, 282
between producer and consumer prices, causes for large, 499-500
Standard containers, 402
Standard Oil Co., 108-9
Standardization, 23-7, 396-407 (Chap. XIX) aids physical supply, 398
grading in storage, 316
importance of, to improved marketing, 396, 527-9
Standardization, lack of, 539
makes exchange easier, 396-8
and mass selling methods, 401-402
merchandising demand for, 94
methods of, 402-3
of methods, in chain stores, 234
nature of, 26-7
near source, is desirable, 405
of raw materials, need for, 93-96
by State and federal laws, 406
Standardized goods,
advertising, 403
branding, 403
Standardized materials, need of manufacturers for, 93-6
Standards, bases for, 398-400
Bureau of, U. S., 388, 400
effect of lack of, on market price, 433
governmental, 400
need for, 404
now established, 406-7
of quality, difficult to establish, 405-7
reduce costs of competition, 523-24
responsibility for observance of, 400-1
set to accord with needs of buyers, 401
Staples, 39
best sold by jobber, 176-7
branding, control of the market by, 524-6
branded, excessive demand creation for. 526
cost of marketing, 512-13
cost of retailing, 514-15
price agreements in sale of, 427
reducing price competition through, 524-6
sale of, at retail, 425
well marketed, by local jobbers, 149-51
world market and world price for, 440-2
State activities, which affect basis of sales argument, outline of, 480
affecting marketing, 480-93
conflict of interest, 474-5
to control monopoly, 487-90

State activities, to elevate the plane of competition, 481-7, 489-90; justification for, 486-7; outline of, 485-6; preventative power of, 486-7
extreme interference, 477
laissez faire policy toward, 476-77
to make distribution more effective, 490-3
natural but not necessary, 473-4
necessary, 473
neither necessary nor natural, but often exercised, 473-4
types of, 473-4
State, mandatory acts to elevate the plane of competition, 479-80, 484-7
regulation of business by, negative activities, 478; mandatory activities, 479-80, 484-7; promotive activities, 479
relation of, to business, 477-80
relation of, to marketing, 473-93 (Chap. XXIII)
State control, development of during World War, 474-5. *See also* State activities
Steel industry, integration in, 108
Steinmetz, C. P., 501, 533, 543
Stevens, W. H. S., 468
Stevens Bill, 453, 466
Stock trains, 302
Stocks, better selected in large stores, 214-5
excessive, as weakness of marketing, 538-9
retail, 194
Stock-turn, advantages of a rapid, 204-5
barometer of good merchandising, 202
in chain stores, 234-5
in department stores, 516
and finance, 335
of jobber, lowered by small sales to retailers, 136-7
in large scale retailing, 210-1
means of stimulating, 203-4
results of rapid, illustrated, 202-203
retail, 201-5, 210-11; annual rates, 516 (Table X) how to figure, 201-2
Stock-turn, wholesale, rate of, 518 (Table XIII)
Storage, 313-24
care of goods in, 316, 319
causes for, 314-15
concentration of, in central markets, 317
control of facilities for, 320-2
of farm products, 32-3
function of, 19-22, 313-15
jobber's service in, 139
kinds of, 315
nature of service of, 315-16
need for, 313
need for finance in, 318-20
place of, 317
relation of prices to, 322-3
in transit, 295, 303-4
Style changes, frequent, 529
Style goods, sale of at retail, 425; seasonal prices for, 444-5
Substitutes, willingness of consumers to take, 456
Sugar factories, contracts with farmers, 102
Sugar beets, 41
Supplies, 7, 8; marketing of, 121-2
Supply and demand, *see* Demand and supply
Surplus, use of by consumers' cooperative organizations, 264-5
Swanson, A. E., 90, 100
Swanson, W. I., 384
Swift and Co., 512

Taking care of one's customers, 100
Tariff Commission, U. S., 442
Tariffs, foreign, information concerning, 391
Taussig, F. W., 423, 424, 435, 468
Telegraph and telephone, dissemination of market news by, 385-6
Terminal elevators, *see* Elevators, terminal
Terminal markets for farm products, *see* Farm products, markets, terminal
Terminals, Chicago, 312
congestion in, 312-13
handling products at, 309-10
Thompson, W. B., 318
Tosdal, H. R., 389, 451, 452

Tower, W. S., 109
Track storage charges, 312
Trade associations, efforts to prevent unfair competition, 482-4
efforts to promote marketing efficiency, 492-3
market news, collected by, 388-9
risks sometimes minimized by, 356
Trade papers, dissemination of market news by, 385; market news collected by, 388-9
Trade profit, 365-6
Trading stamps, 469
Transfer of title, facilitated by central markets, 65; concentration and dispersion, and, 2, 3; standardization and, 396-98
Transfer of title, "repeat" sales, 419-20
saving in number of, through elimination of middlemen, 291
Transit privileges, 294, 303-5
Transportation, 293, 313
cartage costs in Washington, D. C., 309
and communication, and new types of retail stores, 190
congestion in terminals, 312-13
cost of, 213, 305-9; effect on commission sale of farm products, 81; effect on retail prices, 306-7; on wholesale prices, 306-7; and mail order houses, 229; relation to problem of elimination of middlemen, 291
demurrage charges, 310-12
diversion in transit, 303-5
factors determining efficiency, 295-6
farm products, 32-3
functions of, 19-22
handling products at terminals, 309-13
importance of, in marketing, 293-5
jobbers' service in, 139
less-than-carload freight, 310
of raw materials, 91-3
relation to market areas, 296-97
and retailing, 190
Transportation, track storage charges, 312
trucking, 307-9
Traveling buyer, 50
Trucking, 307-9
cartage costs in Washington, D. C., 309
caused by poorly located produce markets, 312-3
Trust movement, effect of price-cutting on, 448
Trusts, relation to marketing, 544; State control of, 488
Tugwell, R. G., 475
Turnover, *see* Stock-turn
Twyford, H. B., 90

Unfair competition, *see* Competition, unfair
Uniform bill of lading, 319
Unit costs, relation of, to financing, 329-30
Unit store, the, 187-90
and advertising, 210
chain store *vs.* specialty, 232
delivery service, 222
U. S. Chamber of Commerce, 205
U. S. Government, a source of market news, 384, 386-8, 390-1, 394-5
U. S. Grain Growers, Incorporated, 245, 254-5
U. S. Steel Corporation, 107
U. S. Superintendent of Documents, 238
U. S. Warehouse Act, 319
U. S. *vs.* Colgate and Co., case of, 452
U. S. *vs.* the U. S. Steel Corporation, case of, 489
Urner-Barry Company, 387

Vanderblue, H. B., 11, 24, 201, 396, 397, 403
Van Hise, C. R., 475, 501
Van Metre, T. W., 298, 301
Vegetables, channels of distribution, 60; direct sale of, 45-6; marketing of, by various methods, 42-3; as raw materials, 90; standardization, 402-3
Volume of business and elimination of middlemen, 291

Warehouse receipt, the, 318, 319
Warehouses, control of, 320-22
Warehousing, 22. *See also* Cold storage
Washington, D. C., cartage costs in, 309
Wastes of competition, *see* Competition, wastes of
Wastes of marketing, 499-500
prevented by adequate market news, 381
Waterway transportation rates, 307
Webb, B., 542
Webb, S., 542
Webb Act of 1918, the, 168, 487, 544
Weights and measures, standard, 404, 406
Weld, L. D. H., 11, 17, 29, 48, 59, 87, 130, 140, 153, 154, 158, 175, 177, 179, 182, 275, 276, 277, 280, 301, 308, 324, 362, 384, 387, 398, 441, 508, 509, 543
Wheat, average annual crop in recent years, 374
concentration of, 95
inspection of, 95, 404
marketing of, 51, 423, 531; future contracts, 364-6; hedging in the, 368-9, 370-2
milling in transit, 303-4
physical handling from grower to consumer, 307-8
receipts, shipments, and local consumption of, in ten primary markets (Table IV), 57
storage in transit, 303-4
world price for, 441-2
Wheeler, W. A., 386, 387
Whiskey trust, the, 532
White, P., 384
Whitney, N. R., 339
Wholesale coöperative associations of farmers, 248-58
Wholesale margins (Table XII), 518
Wholesale markets for farm products, *see* Farm products, markets, wholesale
Wholesale markets for manufactured products, 115-19
middlemen of the manufacturers' market, 153-68 (Chap. IX). *See also* Jobber, of manufacturers' market; and Functional middlemen of manufacturers' market
Wholesale price, *see* Price, wholesale
Wholesale receiver for farm products, 78, 84-5; profit of, 84-5
Wholesale stock-turns (Table XIII), 518
Wholesaler, for farm products, 78
of manufacturers' market, *see* Jobber of manufacturers' market
Wholesalers, relation to consumers' coöperative organizations, 268
Wholesaling, economy of, 117
Williver, J. C., 293
Wilson, Woodrow, 480
Winsted Hosiery Co. *vs.* Federal Trade Commission, case of, 528
Wool difficult to standardize, 93; standardization of, 402-3
Wool markets, 67-8
Wooley, E. M., 209
World market for staple commodities, 440-3
World market, transportation and 297
World War, development of State activities during, 474-5

Young, J. T., 475, 479, 490

Zimmerman, E. W., 166
Zimmerman, M., 234